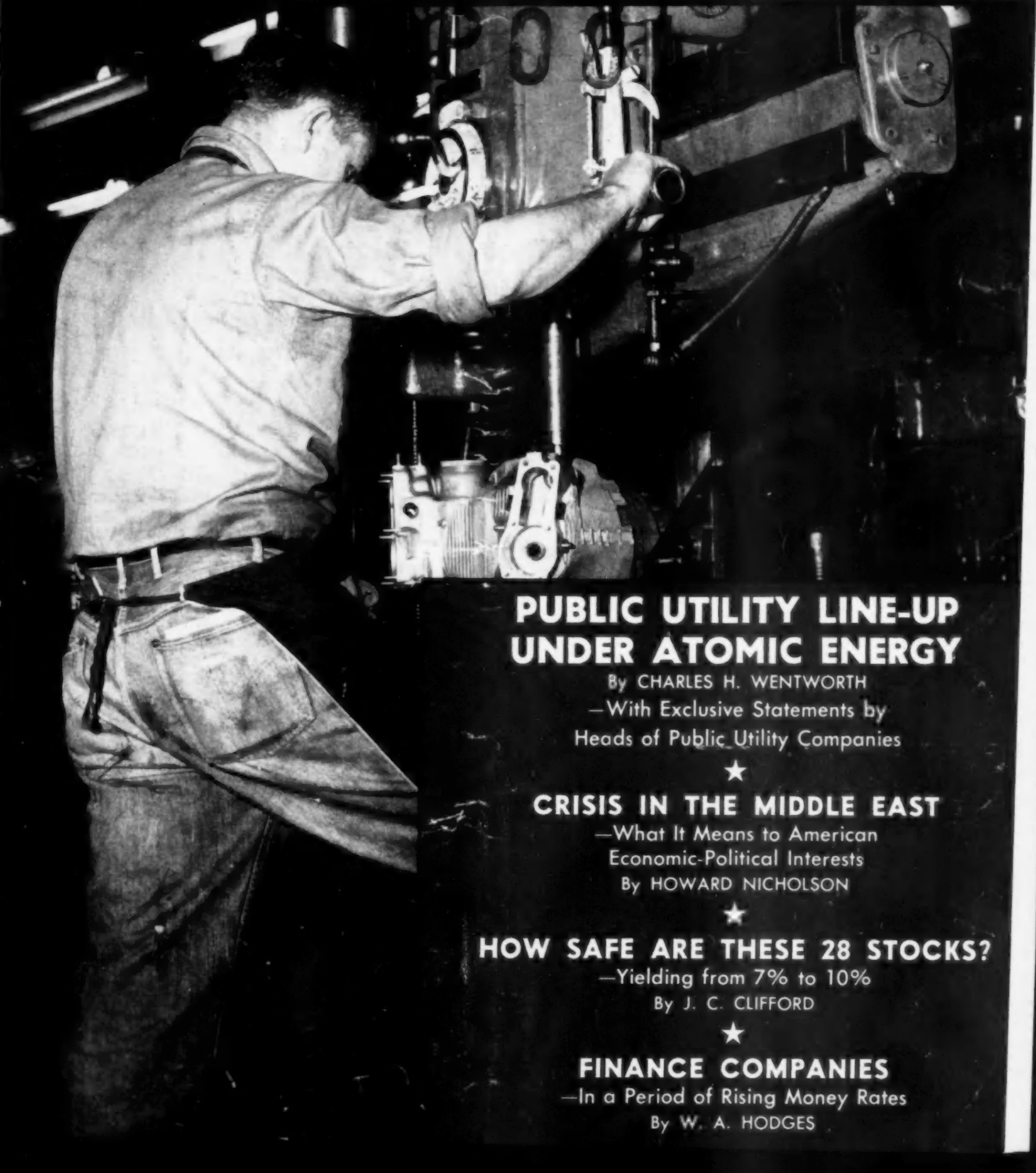
The MAGAZINE of WALL STREET

and BUSINESS ANALYST

DECEMBER 10, 1955 — 85 CENTS



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—In a Period of Rising Money Rates

By W. A. HODGES

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Member of Audit Bureaus of Circulations

Vol. 97, No. 6 — December 10, 1955

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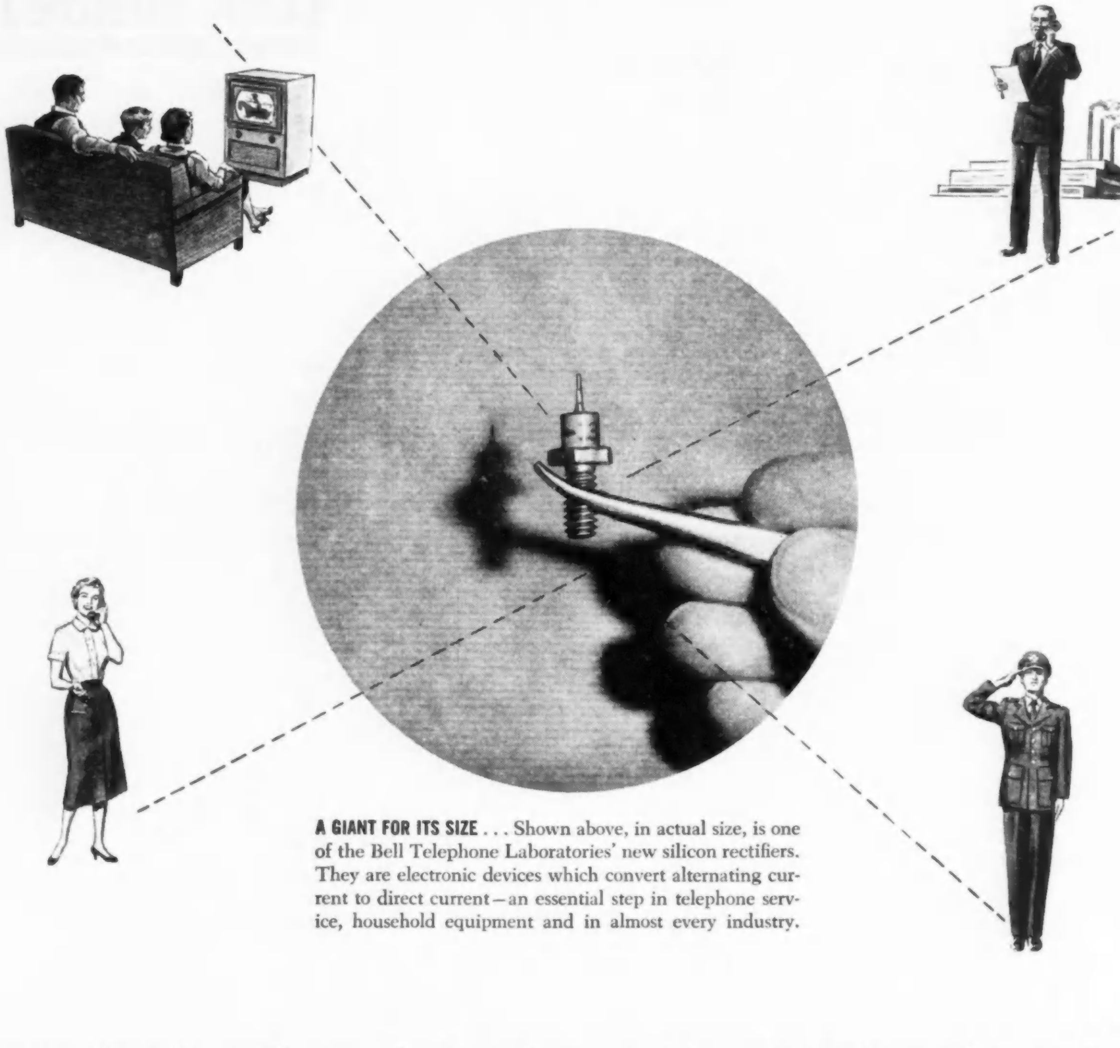
SUBSCRIPTION PRICE — $20.00 a year in advance in the United States and its possessions and Pan-America, Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

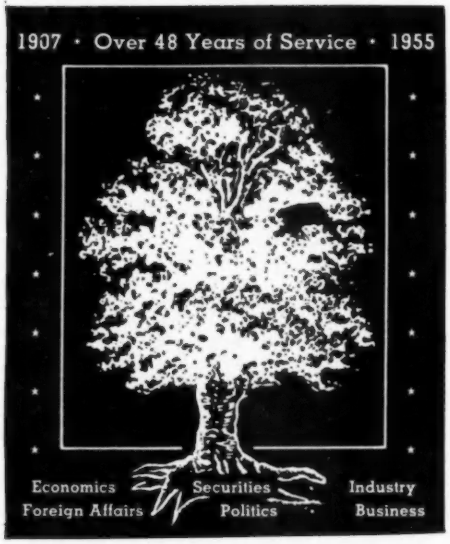
TO CHANGE ADDRESS — Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London E. C. 4 England.

Cable Address — Tickerpub



THE MAGAZINE OF WALL STREET
C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

A FIRMER HAND NEEDED . . . Wherever we look on the international scene, American prestige is falling. In the Far East, in the Middle East and in Europe, as well, the voice of America is steadily becoming more impotent. Though this unpalatable situation is obvious and conclusive evidence of the failure of American diplomacy is present, there is an effort by responsible officials in the government to gloss over the significance of these facts. The result is that the American people have a feeling of complacency with respect to our international affairs not justified by the actual state of affairs. Instead of taking too optimistic a view of this situation, as he has been doing of late, it would be better for Mr. Dulles to take the American people into his confidence and to make fuller use of the resources of this nation whereby it may recover its rightful place of effective leadership of the free world.

A WORD OF CAUTION . . . It is generally accepted that the United States faces a period of unparalleled economic growth in the next decade. Many authorities see this as the inevitable outgrowth of broad underlying factors such as the rate of population growth, the opening up of new areas to industry and trade which in turn gives rise to new communities, the rapid pace of technological development bringing in its wake the creation of entirely new industries and the amazingly swift progress in communications. There can be little doubt that in a period of prolonged peace these forces will make themselves felt over the longer-term and no one need be astonished if, in a decade, present figures on national income look small by comparison.

Still, to accept long-term economic growth in this country as a virtual certainty should not lead to the assumption that economic progress can be continuous. A realistic view, based on the economic history of our nation, would seem to indicate that it is beyond reason to expect an indefinitely upward curve in the economic trend. There are bound to be interruptions.

Businessmen should assess the more immediate economic outlook for this country, realistically and objectively. Many have recently come to take for granted the indefinite continuation of the boom but such optimism can prove excessive, particularly as many uncertainties are bound to make their appearance in an important election year. Therefore, while one may reasonably plan on an optimistic basis for the decade ahead, one should also exercise at least a little restraint in his expectations for the period more directly ahead.

THE BIGNESS PROBLEM . . . The examination of General Motors Corporation in Washington by the Senate Antitrust and Monopoly Subcommittee has attracted the widest attention, as it should, considering the great importance of the subject. (In our next issue, we will cover this situation in detail in a special article.)

The debate on the problem of Bigness in business, unfortunately, has generated a good deal more heat than light, especially among those who chronically see only harm in Big Business; and

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-seven Years of Service"*—1955

has given a fresh opportunity for attack by enemies of the free enterprise system. Leaving aside wild prejudices, however, it must be admitted that Bigness in industry is a problem that must be met, unless we are willing to risk a state of affairs eventually, in which a handful of companies reach a point where they can dominate an entire industry. In the automobile industry, we have already reached the point where *one* company has come perilously close to this position of overwhelming power.

Sober reflection should indicate that if this process continues without interruption it can bring about a form of monopoly in industry. In that event, it is a foregone conclusion that governmental control, with all the deadening effect this entails, would ultimately follow.

Leaders in industry are by no means unmindful of the political and economic implications of excessive Bigness in business and the more progressive among them see nothing but trouble ahead, unless the problem is met squarely in the reasonably near future. Small businessmen are becoming restive as they witness the aggrandizement of the largest companies for they see in this a sign that competition by small-scale business will become more onerous, as these companies get larger.

This is, indeed, a subject which will require very wise and careful handling by government officials and legislators. It will also demand forbearance and the active cooperation of the officials of companies that will come under scrutiny by investigating committees, lest they be accused, and with justice, of desiring to promote only the interests of their companies at the expense of their smaller competitors and the public in general.

PRICE BREAKAWAY AS SHORTAGES APPEAR . . . The pressure of demand continues so strong in an assorted list of commodities in short supply that—aside from the farm list—prices are commencing to break away from stabilized levels of the past two years. There is now quite a long list of such shortages. Among them are such important products as: aluminum, copper and copper fabrications, many steel products, kraft and fine papers, cement, glass and specialized mineral products such as selenium and titanium oxide.

It should not be assumed, however, that the inflationary process is general. Approximately 53% of materiel suppliers report price advances, 42% report no changes and 5% claim prices to be lower.

What is happening is that in instances where productive capacity has suddenly proved inadequate to meet the unexpectedly strong demand, prices have followed the course of least resistance and moved upward. Where capacity is equal to the job or actually excessive as in scattered cases, prices are either holding steady or moving downward. Downward trends, however, are quite exceptional.

With the consumption of goods continuing to rise, there would be a greater threat of a general price rise were it not for the current energetic efforts of the Federal Reserve System to restrict the flow of credit. At the present moment, it can be said that there is a race between inflationary forces and the moves taken by the monetary authorities to counteract these forces. It may take a little more time for the effects of the stronger Federal Reserve policy to become visible but, in consideration of the still great, unused powers of the System to regulate the flow of credit, it would seem that effective means of controlling existing inflationary tendencies are by no means exhausted and that, therefore, it is reasonable to expect greater degree of price stability in the not distant future.

AS AID TO INVESTORS . . . With the year rapidly nearing its close, the remaining opportunity to profit from provisions in the tax law permitting valuable tax savings on completed security transactions will be foreclosed unless investors take action appropriate to the occasion. It is a rather remarkable circumstance that many investors, either through ignorance or inattention, fail to take any advantage whatever of existing tax provisions or delay the necessary steps until too late to be able to take full advantage of these provisions.

As a matter of fact, and, strictly speaking, a decision bearing on taxes in respect to security transactions about to be closed should not be limited merely to the year-end. Tax gains and losses are the proper subject of consideration by the investor at all times during the year. No security transaction should be completed without careful attention being paid to the tax factor, whether this be in spring, summer, autumn or winter. The date of the closing of the calendar tax year is, therefore, relatively irrelevant to the question of tax savings.

Investors should learn to pay more attention to the tax factor since it touches closely on the net result of their security transactions, and, indeed, can determine to an important degree the size of realizable profits. True, this may complicate the handling of their investments, but it is none the less necessary if investors are to make the maximum use of their invested funds. This is a lesson which it will pay investors to learn well.

FINANCIAL STABILITY A PRIME ADMINISTRATIVE OBJECTIVE . . . The soundest way to regard the federal budget is in relationship to national policies on both international and domestic fronts. Thus, the budget may be sound or unsound as it effectively reflects these policies and facilitates their implementation.

While these broad objectives may transcend financial considerations—as in a time of national crisis—financial stability should not be sacrificed. The test of any Administration's success in meeting its great problems, global and domestic, therefore, depends on the importance it attaches to providing as sound a budgetary and fiscal management as is possible under the conditions which actually exist.

Perhaps, in the election next year, the American public will come to realize that in the central problem of how to maintain national financial stability, its own future is deeply involved and that its stake in the coming election, therefore is unusually great. To get the budget as nearly as possible into balance, in fact, is as much a job for the American people as for their government. Unless the people cooperate, the task becomes an impossible one.

As I See It!

By JOHN CORDELLI

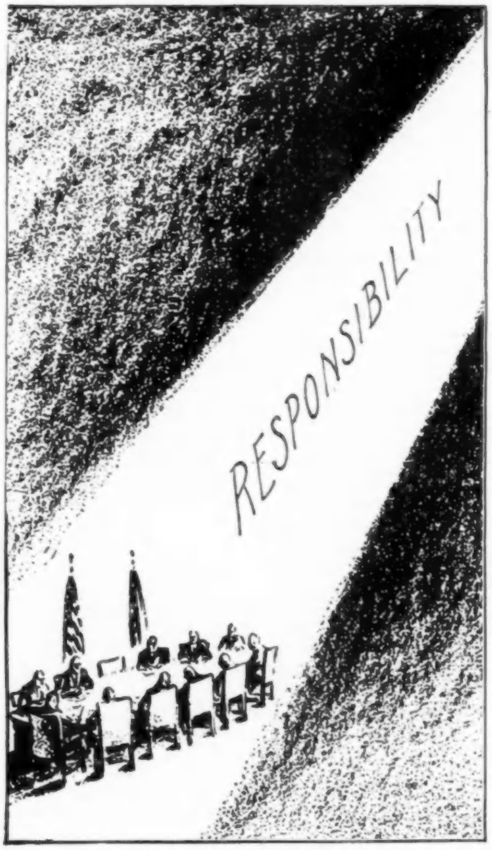
TREND TOWARDS MEDIOCRITY POSES THREAT FOR U. S.

As we look out upon the American scene of today, many of us are oppressed by the thought that the great traditions of this nation are slowly being sapped by the all-too-obvious trend which typifies our now declining moral standards. We see this in many ways—in the lowering of our educational standards; in our easy acceptance of shoddy mass-produced goods, which stand up poorly after only the briefest use; in our tame submission to the prevalence of crime and gangsterism; in the neglect of the people to show a decent regard for the protection and care of their parks and public playgrounds; in the increasing tendency of the people to rely on federal, state and local governments to provide security; in their ever growing, and often childish, desire to obtain the gadgets produced by our industry, with which to entertain themselves whether or not they possess the means to possess them.

But, perhaps more important than any or all of these obvious defects in the traits which we, as a people, currently display is the loss of national *elan*, the sense of adventure and the decay of the once bold and uncompromising moral stance which in our earlier days made us stand out above all the other people on earth.

Theodore Roosevelt once pointed out that to nourish this inner spirit could give more strength to a people, in a single, exalted moment, than all the arms and physical resources it could muster in a century. He preached the simple gospel of the strong mind in the strong body—*mens sana in corpore sano*. The ultimate meaning of this, as we should know, is that the body and spirit must remain strong together, lest the weakness of one corrupt the other.

A JOB FOR LEADERSHIP



With Apologies to Fitzpatrick in the St. Louis Post Dispatch

We are today, unquestionably the strongest industrial and military nation on earth, but to all who cherish the great ideals on which this Republic was founded, the question must be: will this strength endure if our moral fibre has weakened? The question has particular poignancy since we face a powerful, remorseless enemy who has learned all too well how to exploit mortal weaknesses wherever he can find them.

It would seem that it is far from enough for us to remain complacent on the grounds that we have accomplished the ultimate in building a mighty industrial and military machine, and that there remains nothing left for us to do but to enjoy our possessions and to multiply them as speedily as possible and to ignore the uglier phases of our national life as if they did not exist. But, in this narrow, materialistic concept of the goal of life is the seed of destruction as many a ruined nation before us has found.

Mediocrity means a static way of life, a fatuous acceptance of surface values but, at the same time, the dessication of the spirit which would otherwise urge us on toward a higher national goal. It means the lowering of the inner national defenses against the corruptive forces that are gathering within us. It loses us the vision which was the priceless possession of our forefathers and made it natural and right for them to endure enormous sacrifices. Perhaps, it is our leaders who are failing. To be true to their heritage, it is their inescapable burden to utter the words of wisdom to which the people can hearken, and to point the way through which, as the people will instinctively understand, lies their truest and only salvation. —END

Sound Policy in A Shifting Market

The market's general performance is indecisive in a continuing favorable environment as regards business activity, earnings and dividends. Political uncertainty, centering in the President's decision for or against seeking re-election, will come increasingly to the fore in the weeks ahead. A conservative, highly selective investment policy is called for.

By A. T. MILLER

Ups and downs in individual stocks have about balanced out in recent trading. So "the market", as measured by the daily averages, is without much impetus either way at this writing. One feature of the past fortnight was a rise by the rail average more than sufficient to erase the September-October Eisenhower-heart-attack decline, and thus to take the average to a new bull market high, as of November 25, which bettered September's prior high by a clear-cut 3.54 points. However, that was followed by moderate recession last week.

Another feature was an extension of the creeping recovery in utilities, despite the further tightening of money-market conditions and resultant upward tendencies in bond yields which followed the boost in Federal Reserve discount rates announced about a fortnight ago as another anti-inflationary move to brake the business boom via orthodox credit restriction. The Dow utility average made up all of the fall which immediately followed news of the President's heart ailment, with a bit to spare, but remained fractionally under its September 8 top of 66.50, which was a nominal 2 cents under its bull-market high recorded last March.

Reasons For Utility Demand

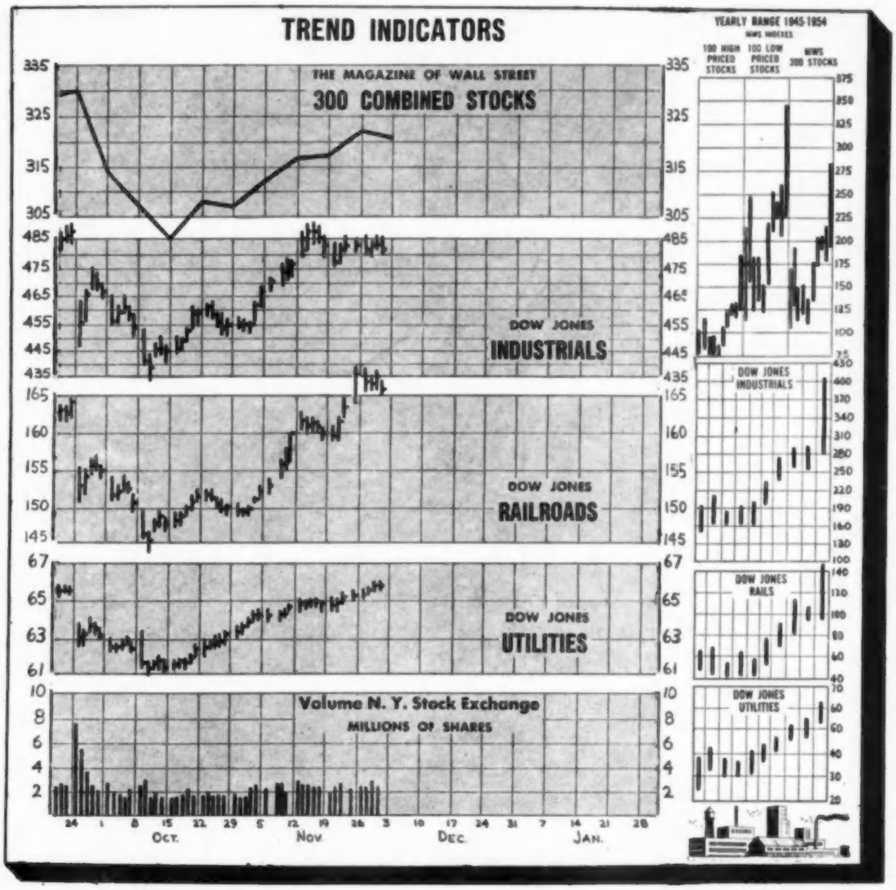
The quiet strength of utility stocks in an adverse money-market environment is not anomalous. They are in fairly persistent investment demand for the following reasons: (1) earnings and dividends are trending moderately upward; (2) prospects for further gradual-rate gains in 1956 and over the longer-term are more assured than in the case of industrials and rails; (3) their defensive characteristics appeal to conservative institutional and individual investors; (4) their current average yield around 4.6% exceeds high-grade corporate bond yield by nearly 50%; and (5) in comparison with absolute prices at past bull-market highs, and with relation of yield to bond yield at those highs, they are at a substantially less advanced level than are the general run of investment grade industrial stocks, and far less advanced than most institutionally-popular industrial equities.

The picture on the Dow industrial average is this: It reached a recovery high of 487.38 on November 16 in a sharp 9-day spurt, falling short of its September bull-market high by the thin margin of 7 cents; eased a little over 10 points to November 21; and has since drifted sidewise in a very narrow range up to this writing.

Thus, the ability of industrials to join rails in some extension of the bull market remain to be proven. Meanwhile, too much technical significance should not be attached to the failure of the average to do so on the November 16 test. Whether because of tax selling or not, there has been a fairly consistent tendency over the years for strength in the industrial average in roughly the 1st

half of November to be followed by at least some degree of reaction, often running into December. On the other hand, failure of the average to better November closing levels within the first half of January have been very rare; and December as a whole has been a plus month for the average in over two thirds of all years since 1897. The point to note is that industrial performance in the coming period of normal year-end strength is generally a more revealing test than November or early-December performance.

However, one qualification may be in order this year. We are nearing the time — perhaps in late January or in February — when President Eisenhower is expected to announce his decision whether or not to seek reelection. This is a question of very definite investment interest. Immediately after the bad news came over the week-end of September 24-25, the market consensus was that there was virtually no chance that he would seek another term. Now hopes have risen at least to some extent, even though the odds are thought at Washington to be perhaps 3 or 4 to 1 against a decision to run again.



This uncertainty, and resultant heightented interest in what the President will have to say in his anuary messages to Congress, could well inhibit investment and speculative venturing in the meanwhile by creating something of a wait-and-see mood. To the extent that hopes have been raised, a negative decision could be somewhat unsettling. But, unlike the first news, it could not be a real shock. There would be much more surprise—and a pleasant one to many investors — if he consents to being the Republican nominee. It would no doubt give a considerable lift to confidence and to the market. In any event, it is an uncertainty which investors are interested in seeing clarified one way or the other; and the prospect that clarification may now be not a great many weeks ahead, instead of at some indefinite future time, suggests increasing investment preoccupation with it from here on until the question is answered.

The Supporting Factors

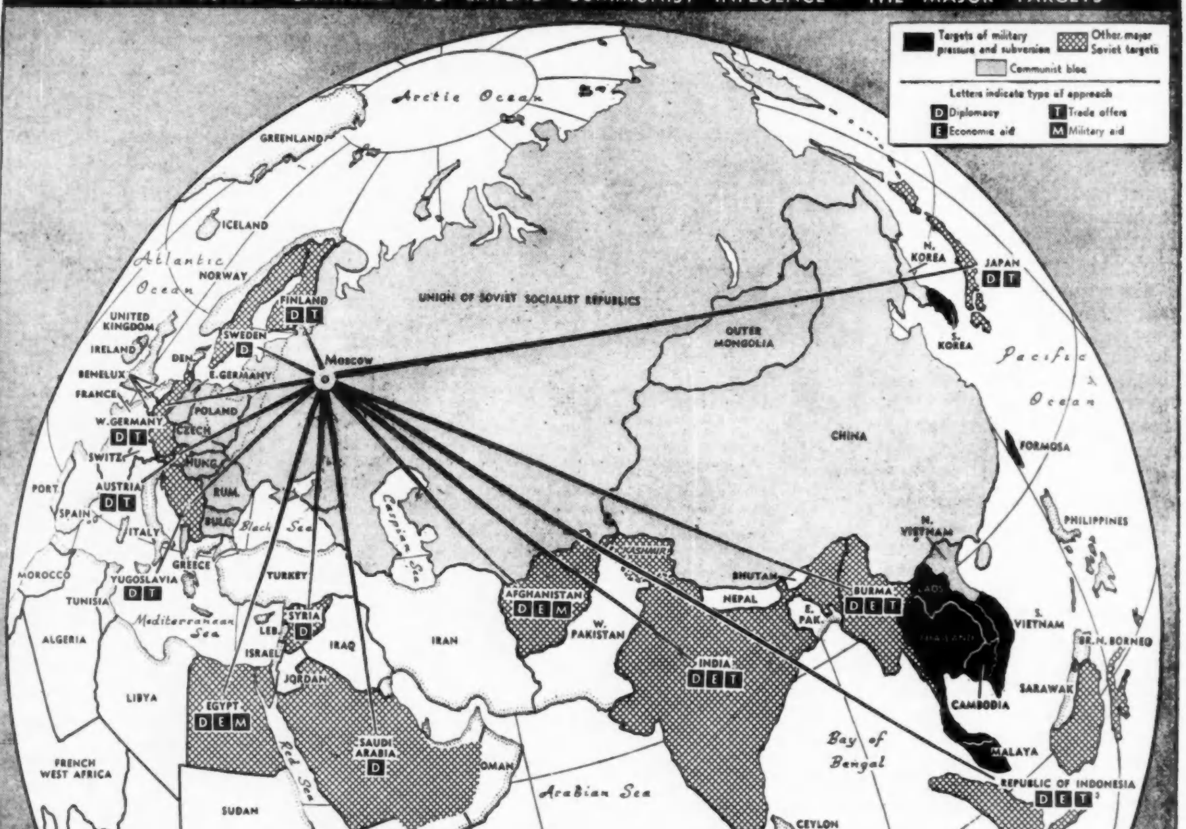
Meanwhile, the market has the support of continuing record business activity, high corporate earnings and the tail-end of the flood of good December dividend news, plus a rather general expectation of moderate further gain in economic activity in 1956. Regardless of the restrictive credit policy of the monetary authorities, industrial production could not rise much next year because, on an over-all basis, it is already close to capacity limits of facilities and manpower. Monetary policy is aimed primarily at checking upward price tendencies by braking credit-financed demand. Under the best conceivable conditions, any gain in 1956 corporate earnings would figure to be much less than this year's. Mere maintenance of the present over-all rate of dividends would mean a substantial gain in total 1956 payments over this year's aggregate; but the current rate is more important to the market than full-year totals, and it appears subject to very little further increase in nearby months. What it might be around the end of next year is guesswork.

Group Action

Stock groups now performing better than the market include airclafts, bituminous coal, cement stocks, drugs, machinery, oils, tires and tobaccos. The automobile, finance-company, gold mining and mail-order stock groups are under selling pressure.

Summing up, near-term potentials for the market as a whole appear to be on the subdued side; but the profit or loss payoff is in stocks, not the averages. Over-all conservatism at this stage, and careful discrimination, are in order. —Monday, December 5.

CURRENT SOVIET CAMPAIGN TO EXTEND COMMUNIST INFLUENCE: THE MAJOR TARGETS



Crisis in the Middle East

By HAROLD NICHOLSON

An international development of the first magnitude, one which can have the most significant repercussions on the destinies of the free world in general and the United States in particular, is the powerful and menacing sweep of Soviet diplomacy in an enormous area, stretching from Pakistan in Asia to Morocco on the Atlantic coast of North Africa. Within this region are the mineral, agricultural and territorial riches which the Russian bear—whether clad in the imperial robes of the Czars or the simple habit of the Commissars—long has coveted and whose loss would constitute the greatest defeat the non-Communist world ever has suffered.

What the new Soviet diplomacy is attempting—and with frigtening skill—is the economic and military penetration of whole uncommitted neutral blocs of nations and the subversion of countries which have cast their lot with the West over an area that extends for more than 5,000 miles between Central and Southeast Asia, through the Middle East and lapping the southern shore of the Mediterranean flanking all of North Africa.

It is neither coincidence nor social amenity that has taken Premier Bulganin and Communist Party leader Kruschev on a state visit to India, where they have wooed its Government leaders and people alike. For they are fully aware that as India goes, so goes all of Asia. To India, the Soviets are promising substantial economic aid and technical assistance, aping the American tactic, but none the less effective for that.

The New Merchants of Death

In the Middle East, their objective is the same but the tactics vary. Here they ape a tactic of governments and groups on whom every Communits acolyte has been taught to heap scorn—the sellers of munitions, "the traffickers in mass murder." The Bolsheviki have launched a "discount house" operation of vending war weapons that promises to dwarf any arms-for-export business that has gone before. For unlike in India, where the gift or wholesaling of arms would be unwelcome, the Kremlin has moved through satellite Czechoslovakia to consummate a

"commercial" deal with Egypt, whereby Cairo gets modern arms, designed to smash Israel, in exchange for Egyptian cotton, a surplus commodity that country has been unable to market in the West.

The business-like commissars, to establish a foothold at this crossroad of three continents, have sold these arms at cut-rate prics and, as a measure of their diversity they have offered economic aid. This includes such projects as the Aswan High Dam, a billion-dollar undertaking that would provide electric power and irrigate hundreds of thousands of Egyptian acres, a project on which the future of that whole country hinges. In addition, the Soviets have offered large-scale credits with repayment to be made over a 30-year priod. In the other Arab lands (not even the slave Kingdom of Yemen is beneath the notice of the workers' paradise), they are busy with proffers of aid, military and economic, thus undermining the position of the West as they cynically support the Bandung bloc in its struggle against the Western brand of colonialism while secretly plotting to place this vast region under the heel of Communist imperialism.

Moscow Eyes Libya, Eritrea

Our memories are short, indeed, if we have forgotten that Moscow, during preliminary peace talks as World War II was coming to an end, laid claim to ports in Libya and Eritrea, African colonies wrested from Italy. Nor does it require a prodigious memory to recall her post-war demands for a slice of Eastern Turkey and her persistent efforts to gobble up oil-rich Iran, maneuvers that awakened the American people, primarily concerned with converting their economy from tanks and planes to passenger cars and television sets.

The free world dare not take this newest Russian gambit lightly. In one move, the Soviets have vaulted the entire Mediterranean defense system so laboriously built up by the United States and her chief European allies. From now on, Russia must be considered as one of the major forces in this vital area, an achievement which the British, along with the French, successfully blocked for over a century.

If the Russian Bear sought to swallow up Araby long before the Machine Age, it is easy to understand how this appetite could be whetted in an era when oil reserves are a measure of Great Power stature. The countries of the Middle East produce one-fifth of the world's oil, or twice as much as the Soviet and her satellites. The oil of Iran, Iraq, Saudi Arabia, Kuwait and the adjoining lands is vital to the economy of Europe and other countries of the free world. Nations such as Australia and New Zealand have virtually no commercial oil flow. These friends of the free world would be sorely stricken if this oil were denied to them. A sizable quantity of this oil finds its way to the U. S. Indeed, the oil reserves of these lands are calculated at three times those of this country and, since these backward nations use little of this oil, it constitutes a bulwark against the heavy drain on our own (and Caribbean) resources. It is no exaggeration to state that in the hands of the oil-poor Soviet bloc it would alter the balance of world power.

Nor does it add to the equanimity of the Kremlin that the giant factors in the Middle East oilfields are such names as Gulf Oil, Socony Mobil Oil, Standard Oil (California), Standard Oil (New Jersey) and Texas Co. The British, of course, also are heavily represented.

Courting India and Burma

In Southeast Asia, by actively courting India and Burma, Russia is displacing the British as a political power and plans eventually to eliminate her as an economic power. It is Russia's goal to draw these important nations into her orbit—an aim that India's Prime Minister Nehru may not be able, or even care, to prevent. Russian leaders, visiting India in November, obviously were drunk with power as they chose this "neutral" site to denounce the West. Communist gospel preaches that the road to Paris lays through Peiping and no meeting at the summit or contrived relaxation of world tension will alter a single article of the faith. The Kremlin conspirators have come a long way on the road to world conquest since the doctrine was set forth by Lenin in 1920. To know the background is to appreciate the composure of spirit with which Moscow sets in motion forces that can only lead to a holocaust in the Holy Land.

Moscow has no compunction about sacrificing Israel—though Russia was one of the original sponsors of admission of this small, democratic state into the United Nations—if this is necessary to bring the Arabs into the Soviet camp. The Kremlin saw a chance to create new tensions and it has no special love for the Jerusalem government, which resisted the Bolshevik blandishments from birth and developed along lines of Western parliamentary traditions.

The Israelis have called on the U.S. to sell them arms that will permit the small country to defend itself against the Soviet machinations. The U.S.-British-French declaration of 1950 guarantees the status quo of the present borders of Israel. To permit a Soviet-armed Egypt to overrun that country would serve notice that in a showdown the West lacked the will to meet the challenge. And it would draw the Moslem world much closer to the Communist orbit.

Riches of the Mideast

Nothing could be more dangerous to the U.S. and Western Europe, whose task now is to shun appeasement and blackmail, practiced by a small clique of Arab leaders, and strive for a durable peace in that part of the world. In the Arab lands are most of the world's riches and, of course, strategic sites of paramount import in the Great Power struggle. At the western end of this tri-continental span are our great airbases, built in Eastern Morocco, representing an investment on the order of $1 billion—a mighty deterrent to the Soviet aggressors. Also in Africa are vast quantities of the earth's untapped natural resources, especially rare earths, vitally needed minerals and other hard-to-get natural resources. Africa already is in nationalist ferment, hence defection of the Arabs to Moscow would inevitably endanger Western interests throughout that continent probably beyond repair, with serious economic consequences to the free world.

It now is being argued in many responsible quarters here and abroad that the only effective defense against the Kremlin's economic, political and military penetration of the vast North African lit-

PERTINENT DATA ON U. S. OIL COMPANIES WITH MIDEAST STAKE

Companies	Interests Include
Gulf Oil	Kuwait Oil Co. (50%) Iran (consortium) 8%
Socony Mobil Oil	Standard-Vacuum Oil Co. (50%) Iran (consortium) Arabian American Oil Co. (10%) Iraq Petroleum Co., Ltd. (12%)
Standard Oil (California)	Bahrein Oil Co. (50%) Arabian American Oil Co. (30%) Iran (consortium)
Standard Oil (New Jersey)	Arabian American Oil Co. (30%) Standard-Vacuum Oil Co. (50%) Esso Trading Co. of Iran Iraq Petroleum Co. (12%) Mediterranean Standard Oil Standard Oil Int'l., Ltd. Trans-Arabian Pipe Line (30%)
Texas Co.	Bahrein Oil Co. (50%) Arabian American Oil Co. (30%) Iran (consortium)

	Middlie East Lands Getting U. S. Grants and Credits Amounts (in millions)	
Countries	1953	1954
Iran	52	65
Israel	49	59
Turkey	40	41
Others	58	70

toral and the backward countries to the east of Suez is a reversal of the U.S. policy of economic and military aid to these countries for a stepped-up program of financial grants to a level not reached even in the days of our most respelendent giving. If we don't—this argument runs—the Russians will and, in the doing, wrest leadership and influence in those areas from our hands.

Since major policies, of the most far-reaching consequence to this country and the rest of the democratic world, are involved, it is important to understand the controlling facts. There are basic questions to pose, for which relevant answers must be sought.

U.S. and Russian Plans

First, what economic aid and technical assistance has the U.S. given to the countries in question over the past few years? Of what does this aid consist? What benefits, if any, have accrued to the recipient nations? How much more, if any in reality, is needed and where?

Second, what has Russia to offer as a counter to our moves? Can she really supply these nations with adequate financial or economic aid? To what extent is the offer of Soviet aid propagandistic and to what extent is it based on capability? For the latter, at least a partial answer may be found in a survey of Soviet economic progress in the past few years, particularly from the viewpoint of the size of any surpluses she is in a position to offer.

It is vital for us to seek answers to these questions. If, indeed, we are in a period of transition from "cold war" to "competitive existence," it is likely that this competition will be preponderantly in the area of economic and technical assistance, although military aid (with its prime opportunities to infiltrate national armies with Communist hirelings) is not going to be overlooked either. But, surely, we should be in a superior position vis a vis Moscow to deliver economic and technical aid, at the same time making available to these countries the modest amount of arms needed to assure their national security.

Then why are we so vulnerable in this highly sensitive section of the world—Asia, the Middle East, on which the vast region hinges, and North Africa? What has gone wrong? How can we repair the damage? Is it too late? It is questions such as these that concern us in this story.

Rampant Nationalism

Most of the lands that stretch from Morocco on the Atlantic to Pakistan on the Indian Ocean once were the bulwark of British and French colonialism. In an age when there is no future for colonialism, the British have yielded up large areas only after the exhaustion of World War II left her too weak to cling to these outposts of empire and have continued to hold on to such places as Cyprus, where Greeks and Britons (with occasional representation from Turkey) engaged in mass slaughter while Communist *agents provacateur* did their best to keep the pot boiling. The French have shown far less grace than the mossbacks of the British Colonial Office, with the result that the French (probably using more Germans than Frenchmen, who have little stomach for the fight) have been battered from pillar to post in North Africa, with the Communists shouting as loudly for Sultan Mohammed ben Youssef as any Moroccan tribesman.

This policy of using on-the-scene Communists to infiltrate, direct and lead nationalist forces in the colonial lands is part of Lenin's program, which calls on all Communist parties to "assist the bourgeois-democratic liberation movement." The idea, of course, is for the Reds to step in over the prostrate forms of the antagonists.

Russian Abilities to Deliver

It would be a mistake, however, to suppose that the Russians are unable to deliver more than propaganda to these backward lands. Until this year, it is true, they were not a factor, but the swiftness with which the Soviet bloc delivered arms to Egypt indicates that the impact the Kremlin could make would be considerable. These countries are determined to develop along industrial lines and the Soviet bloc would not hesitate to sell machinery, however badly needed at home, if such a deal would further its goal of political penetration. Although the Russians failed to deliver petroleum products to Latin-American countries and machinery to Yugoslavia, there are signs that Moscow is geared today to make more than token deliveries. The steel mill promised to India and similar machinery for Burma, while small alongside the type of American aid that has been granted around the world, could pay large propaganda dividends for the Kremlin if delivered on schedule and with a minimum of snafu.

In the matter of loans and grants, the Soviets simply are not in the same league with the U. S., which has poured out scores of billions of dollars in the post-war decade for just about every non-Communist country in the world. This aid, on a reduced scale in the economic field, is carried forward by our Foreign Operations Administration. The F. O. A. provides project-type assistance, which assists countries in the Middle East and elsewhere to develop or accomplish specific undertakings. Technical cooperation is offered in such varied fields as industry, mining, agricultural and natural resources. There also is the non-project type assistance, which is designed to accomplish the transfer from the U. S. to these countries of resources that enable them to meet broad economic or defense-support needs. This includes the commodity programs. Special assistance covers help to refugees and certain emergency aid programs to areas stricken by war, drought or flood. There are some 900,000 Arab refugees in the Arab countries. This country also has proposed to pay for a Jordan Valley Authority, designed to increase irrigation and power resources in that region.

The Question of Aid

In this tense climate, with the Russian Bear infiltrating the Mediterranean and Red Sea areas after his long imprisonment behind the Dardanelles, it will not be nearly so easy to put out the flames that would engulf the world. We must be prepared for countries such as Egypt to work both sides of the streets (while praying she does not fall in the gutter), making demands upon this country for dams to build her economy, weapons to "defend" her territory and technicians to instruct her in modern ways, all the while noting, none too subtly, that she can obtain these things from Russia. This sort of blackmail, at which India also is adept, will not go down easy with Congress, the Administration or the American taxpayer.

Under the best of circumstances, sentiment in this country is strongly against anything but military aid to countries abroad, unless the sums involved are nominal. Just about all of our security eggs are in the military basket. Thus, of the $37 billion appropriated in the fiscal year of 1955, about 99% will be spent under the direction of the Pentagon.

Irresponsible politicos and molders of public opinion have no difficulty ingratiating themselves with an already heavily-taxed people who have poured out tens of billions of dollars (quite a bit of it into ratholes) for foreign aid. If it is not now clear to the American people that the cold war has shifted to the economic front, then it is the duty of this Government to alert them to the change. With the Soviets building steel mills for India and granting long-term credits to other backard countries, Ivan Ivanovich (and he will not be asked) is going to have to give up a few more of the necessities of life. He will not have to forego any luxuries, which do not exist in the workers' homeland, for the workers anyhow.

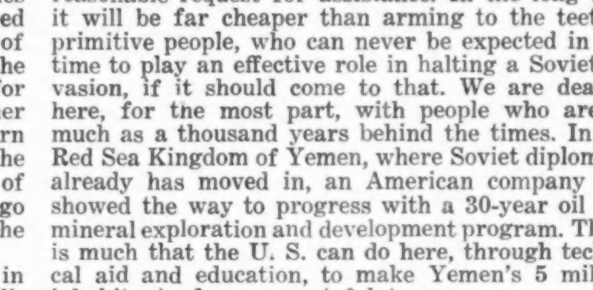
Once the American people are apprised that the stakes involved are no less than a whole world, it should remain only for our Government to give assurance that we shall not witness a recurrence of the money-by-the-shovelful approach. Few of the countries in this part of the world, which now is feeling the hot breath of the Kremlin on its back, could use effectively, in any case, any large quantity of arms, assuming an all-out war. And that goes for such members of the Northern Tier alliance as Iraq, Iran and Pakistan. These countries need technical help, some credits (that could be secured in the case of Iran by oil revenues) and large-scale American private investment, which could be promoted once a better understanding of its vital role were brought home to the peoples of those lands.

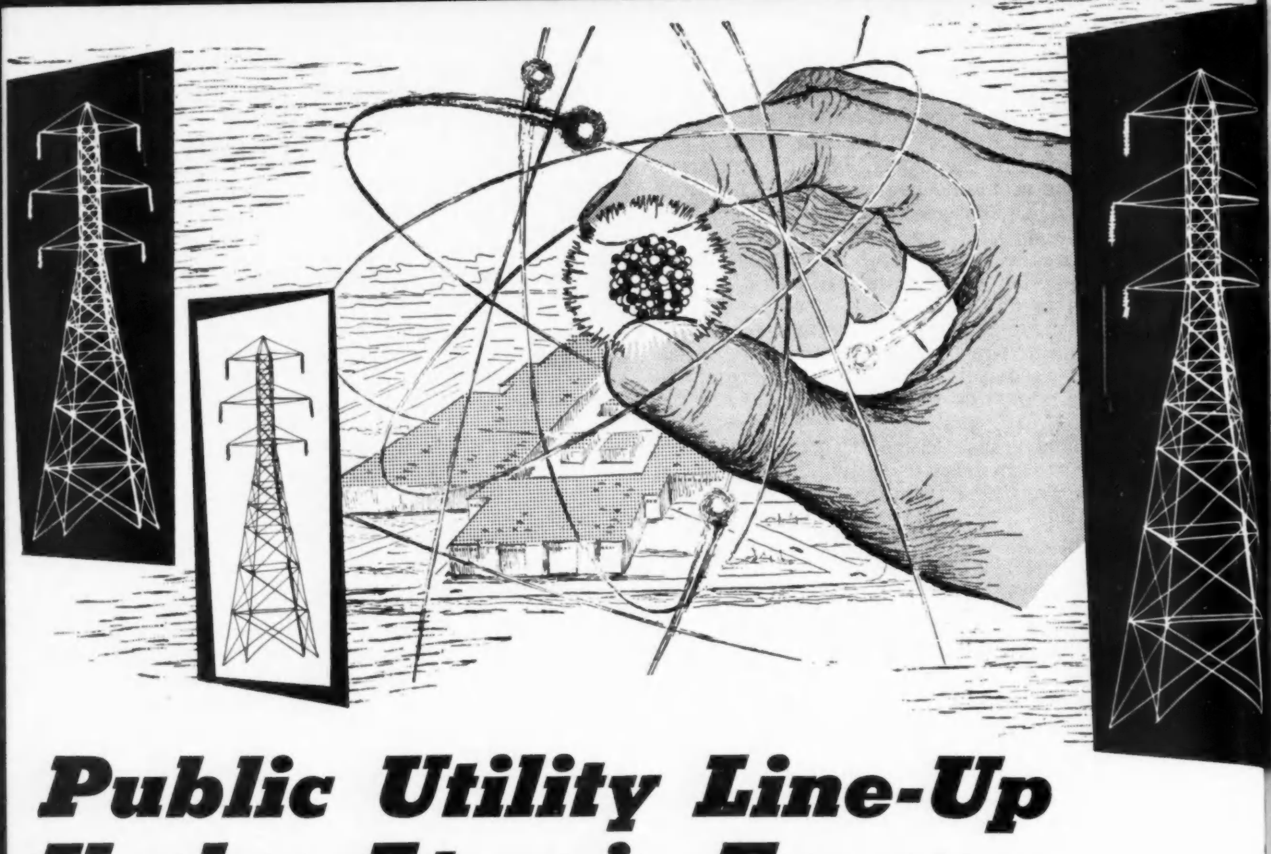
There is no suggestion here that we out-spend the Soviets to rescue the Middle East from Communism —only that we should not reject out of hand any reasonable request for assistance. In the long run, it will be far cheaper than arming to the teeth a primitive people, who can never be expected in our time to play an effective role in halting a Soviet invasion, if it should come to that. We are dealing here, for the most part, with people who are as much as a thousand years behind the times. In the Red Sea Kingdom of Yemen, where Soviet diplomacy already has moved in, an American company has showed the way to progress with a 30-year oil and mineral exploration and development program. There is much that the U. S. can do here, through technical aid and education, to make Yemen's 5 million inhabitants forever grateful to us.

It is a far cry, of course, from the slave kingdom on the Red Sea to a country such as Lebanon, probably the most progressive Arab state. But in between are millions of Arabs, Berbers, Druzes, Circassians and the motley nomadic tribesmen to whom nationalism and unrest are excuses for a return to the bloody pleasures of the past. The question whether White, Western, Christian civilization is in decline could very well be answered in this part of the world. While (*Please turn to page* 341)

These illustrations show the importance to the West of Mideast oil output and reserves. Those countries account for one-fifth of world output and their production is twice that of Soviet and satellites. Mideast oil is a life-and-death matter to the European economy and could, one day, assume major importance to the U. S. With oil reserves calculated at three times those of this country and using only a negligible quantity for their own purposes, the countries of Middle East constitute a bulwark against drain on our own resources of this mineral. In the hands of the oil-poor Communist bloc, it would alter the balance of world power.

Mideast Oil Vital to West





Public Utility Line-Up Under Atomic Energy

By CHARLES H. WENTWORTH

The future of atomic energy in its peaceful applications has never looked brighter. Since the construction of two submarines powered by atomic reactors, plans are going forward to apply nuclear energy to aircraft carriers, guided missile cruisers and merchant marine vessels. The application to large airplanes, while it has lagged, is now getting renewed attention. Atomic power is already being used commercially and many large atomic power plants will be completed here and abroad within the next five years.

One pound of fissionable material will produce as much energy as that released by the burning of 2,600,000 lbs. of coal. While uranium-235 is a very expensive fuel (it must be carefully separated from U-238, which constitutes over 99% of refined uranium metal) its tremendous vitality and the very low cost of transporting it to areas where coal or other fuels are expensive, makes it an ideal source of commercial power in many areas. However, because of the dangerous radiations which accompany the fission of U-235 into lower weight atoms (with the tremendous outburst of energy which has to be tamed for commercial use) as well as the radioactive by-products, a new technology had to be devised before atomic reactors could be put to work producing power.

The Government has spent about $10 billion to develop A-bombs, H-bombs and the various isotopes and other by-products which are now being applied as tracers in medical research, for inspection of industrial products, as stimulants to plant growth, and for germicidal action in preserving foods, etc. Now the Government is spending large amounts to determine the best forms of atomic power reactors. It is reported that proposals to build such reactors in the United States now involve the expenditure of some $450 million, over half of which will be supplied by private capital. These projects when completed will supply electricity sufficient for a million residential users.

The AEC spent $60 million in 1952, $91 million in 1953 and $84 million in 1954 to develop various types of reactors with the object of aiding the utilities to generate atomic power on a basis competitive with the power produced in fuel burning plants. Five different types of experimental reactors are being constructed and tested to discover which will be the most efficient on an overall basis, producing the cheapest electricity with adequate safeguards:

Reactor Type	Builder	Est. Cost (millions)	Scheduled Completion
Pressurized Water	Westinghouse Elect. Duquesne Light (Operator)	$85	1957
Sodium-graphite	North Amer. Aviat.	10	1955-6
Boiling Water	Argonne Natl. Lab	17	1956
Fast Breeder	Argonne Natl. Lab.	40	1958
Homogeneous	Oak Ridge Natl. Lab.	47	1956

(1) Niagara Mohawk Power

Niagara Mohawk Power Co. contracted last July to buy atomic-generated electric power on a temporary basis from the AEC-owned 10,000 kw reactor at West Milton, New York. This is a land-based prototype of the submarine power reactor later built by General Electric and installed in the Seawolf (Westinghouse built the first submarine reactor for the Nautilus). The reactor was presumably built for experimental purposes but is operating successfully. Niagara Mohawk is buying a portion of the total output on an interruptible basis at a cost of 3 mills per kwh, said to be far below the actual cost of production.

The reactor, which is housed in a 225-foot steel sphere, will be capable of supplying the needs of a city of about 20,000-30,000 people, which, however, is less than 1% of the population of over 3,000,000 served by Niagara Mohawk. Niagara received the power because none of the three public power units in the area could arrange for transmission of the electricity from West Milton to their own systems. The price of 3 mills was set to match the approximate cost of power from conventionally fueled plants in this area. G.E. donated its part of the power station at a cost of $1,250,000.

This small reactor is understood to be a General Electric version of the sodium-cooled reactor. It was built by G.E. under contract with the AEC and is expected to operate for two and one-half years. It produces steam of relatively high pressure and temperature. *North American Aviation* is also making this type of reactor, as shown in the above table.

There has long been a competitive battle between hydro-electric power and steam generating units, with the former aided by public power advocates and politicians interested in developing large water-power projects. With the discovery that atomic power could be harnessed, the competition has become three-cornered. While the Government is interested in developing this new form of power commercially, and aiding foreign "have not" nations to obtain cheap power through this means, the private utilities are making an aggressive effort to develop atomic energy with a minimum of Government assistance. Obviously they don't want the Federal Government to dominate this field as it has so largely done with hydro-electric power. Already public power interests are trying to infiltrate into this new field—the private utilities must protect their interests if they wish to use atomic power.

(2) Duquesne Light Company

Duquesne Light Company was the first utility to enter the atomic energy field, having made the best competitive bid (out of a large number) to the AEC for this privilege. In March 1954 a formal contract was executed with the Government for the construction and operation of a 100,000 kw atomic energy plant on a site owned by the company at Shippingport, Pennsylvania, which will be tied directly into the company's transmission system. The plant differs from the conventional power station only in that the steam boiler and associated equipment, which normally represent about half the cost of a conventional power station, will be replaced by the atomic reactor and heat exchangers. The Government through its general contract with Westing-

ROLE OF ATOMIC ENERGY IN POWER SUPPLY

By Ernest R. Acker

Pres. Central Hudson Gas & Elect. Corp.

Central Hudson's participation in nuclear research activities together with a group of companies under the leadership of Detroit Edison, is evidence of the importance we attach to the prospective use of nuclear fuels in the generation of electric power. While nuclear power represents a revolutionary development, I do not believe it will bring about sudden changes in the electric industry. It is, in fact, a logical advance in the industry's continuing program to improve its technology so that it can better satisfy the nation's constantly increasing demand for energy. Experts have noted that because of the anticipated tremendous increases in the future demands for power, it is essential to consider at this time the limited reserves of coal, oil, natural gas and water power resources, and to plan for supplementing these conventional sources of energy with nuclear power. In my opinion, even after the difficult legal, technical and economic problems of the reactor program have been solved the industry will continue for many years to rely on its modern, highly efficient conventional plants to satisfy the major portion of the nation's demands for electric power. Studies by responsible experts indicate that it is the larger size reactor plants with electrical capacities of 100,000 Kw. or more which will first become competitive with conventional plants. Under the circumstances it seems probable that nuclear reactors will be used initially by companies whose systems can absorb increments of capacity in this magnitude and which can afford to have as much as 100,000 Kw. of their total generating capacity installed in this new type of plant. Furthermore, as the reduction in the cost of power produced by nuclear plants appears likely to be only in the cost of fuel, such plants will be installed first in the high cost conventional fuel areas. Thus it is probable that early nuclear fuel plants will be economically practicable in only such areas as New England, the North Plains and the Pacific Northwest.

There has, of course, been much conjecture concerning the role atomic energy will have in the nation's power supply in the next twenty years. On the one hand, optimistic estimates are made that as much as 50% of the new capacity being installed by 1975 will be nuclear, while on the other hand less optimistic experts believe that the figure will be closer to 3.5%. In any event it seems reasonable to believe that the reactors built within the next ten years will be important mainly for developmental purposes so that at best their economic justification will be marginal. Considerable time will undoubtedly be required after the first reactors are built for testing, evaluation, and further development before reactors can be widely adopted for power production. Thus, in my opinion, the development of nuclear power will be an orderly one in which utility managements will be able to protect the integrity of past investments at the same time they take advantage of this new technology.

Viewed in its proper perspective atomic power is a highly important development that warrants the serious attention it is being given by the electric industry. The research programs of the power companies devoted to this activity, while larger than any they have heretofore undertaken, are typical of the industry's continuing efforts to provide better service at reduced costs by improved operations.

It is true that except for a few very large utilities, the present developmental reactor program would be too costly for the electric companies to conduct on an individual basis. However, in spite of this problem, the utilities have promoted this important research activity by combining their resources and talents, and so have prevented an excessively heavy burden from being placed on any particular company. It is confidently expected that following the construction of the developmental reactors and with the experience gained from their operations, subsequent reactors will prove economically feasible. By the time this occurs I believe that the present legal difficulties, such as those related to adequate public liability insurance, will also have been resolved. Under these circumstances the utilities should have no more difficulty in financing their capital requirements for nuclear plants than they now have in providing the capital for their large steam and hydro stations.

Six Proposed Nuclear Power Plants

	Reactor Type	Designer or Builder	Plant Size (kw)	Estimated Cost (mill)	Est. Cost Per Kw	Location	Prob. Oper. Date
PRIVATE UTILITIES							
Consolidated Edison	Pressurized Water	Babcock & Wilcox	236,000	$55	$233	Buchanan, N. Y.	1960
Commonwealth Edison and Nuclear Power Group	Dual-cycle Boiling Water	General Electric	180,000	$45	$250	47 mi. Sw. of Chicago	1960
Detroit Edison Group	Fast Breeder	(?)	100,000	$54	$540	Monroe, Mich.	1959
Yankee Atomic Electric Co. (New Eng. Elec. Assoc. and others)	Pressurized Water	(?)	134,000	$33.4	$249	Rowe, Mass.	1959-60
PUBLIC AGENCIES							
Consumers Public Power District, Nebraska	Sodium-graphite	North American Aviation	75,000	$20-25	$266	Nebraska	1958
Rural Cooperative Power Assoc. (Minn.)	Closed-cycle Boiling Water	Amer. Machine & Foundry	22,000	$6	$273	Elk River, Minn.	1959

house Electric is designing and constructing the reactor part of the station while Duquesne is constructing at its own expense the turbine generator and the transmission facilities. The Government thus is paying the major cost of the reactor equipment though Duquesne is supplying the land and certain other costs up to $5 million. The company's total investment will be much less than the capital cost of a complete conventional plant.

Total cost of the pioneering Duquesne plant, including research and development, is estimated at $85 million, construction costs approximating $55 million, or $900 per kw of capacity. This is about five or six times the capital cost of a fuel-burning power plant. The generating cost of electricity will also be higher. The 60,000 kw station, when completed in 1957, will be operated by Duquesne with steam generated by the reactor, and purchased from the Government at rates specified in the contract. The Government will reimburse the company for certain costs of operating the reactor portion of the station and will handle and process the nuclear fuel as well as dispose of spent fuel. Operating expenses, while substantially higher than would be involved in the operation of a modern conventional power station, will be offset in part by the annual savings in capital cost, taxes and depreciation resulting from the company's smaller capital investment. The Government will indemnify the company against any loss, damage or liability, not compensated by insurance or otherwise, arising out of the use of special nuclear or radioactive materials.

The public utilities have been collaborating both with the AEC and a number of industrial companies

NUCLEAR POWER POSES NO FINANCING PROBLEM

By N. R. Sutherland

Pres. Pacific Gas & Electric Co.

The large nuclear plants currently in the planning and design stages are developmental although of commercial size. The power they will produce will be more costly than power from conventional plants. Their purpose is to establish costs and gain design and operating experience which will contribute to the goal of competitive nuclear power. These plants, perhaps upwards of 500,000 kilowatts in 1960, could well provide the answer to the question of how rapidly nuclear power will be adopted in the decade thereafter.

Nuclear plants will present nothing new to the utility industry in the fields of financing and obsolescence. When nuclear power becomes competitive, we expect it to be financed and applied in essentially the same manner as conventional power. When a new, more efficient unit is added to a power system today, existing units having higher operating costs generate less of the system energy while still meeting their full share of peak demand. Nuclear power will supplement but not replace existing and future conventional steam and hydroelectric facilities.

When years of development and operation establish more favorable economics and performance of nuclear plants, an increasing share of the ever-growing load will be met by nuclear plants. Broadly speaking, the effect of atomic energy on the pattern of power generation, conventional fuels, and hydroelectric sources is expected to be minor in the next twenty years. The pattern is, and will continue to be, one of progressive evolution. In the energy outlook for the future, nuclear energy will be a helper rather than a competitor for conventional fuels.

Solar energy warrants continual research, but it is not considered a source of power in the foreseeable future.

LONG DEVELOPMENT AHEAD FOR SOLAR ENERGY

By Harold Quinton

Pres. Southern California Edison Co.

The extent to which nuclear power will be used by the electric utilities during the next five to ten years will, in my judgment, depend very largely upon how much the costs of manufacturing reactor and heat transfer equipment can be reduced during that time. Probably ten years will be required to perfect the technology and obtain some economic selection of technical principles and practice. This selection will require actual operating experience on both boiler and prototype plants. I do not look for competitive unsubsidized nuclear power in less than ten years, and probably longer.

Whenever competitive nuclear power is possible, I am sure adequate financing will be available. Obsolescence is a factor of first importance in the economic selection which must occur. Some of this can be minimized by pilot plant testing of processes and equipment.

Nuclear power will displace some fuel supported generation when it becomes fully competitive, but I do not foresee any wholesale decommissioning of any economic fossil fuel-burning plants because of superior results of nuclear plants.

I believe the way to approach this problem of development is by means of pilot plants having 5,000 to 10,000 kilowatts of capacity. This is, in my judgment, a much more economical method of working out the complex problems than to build a larger plant which will become obsolete through rapid improvements in the art.

Solar energy has some increasing possibilities, but I foresee a long development period before this energy is competitive with fuel-generation.

in a great number of research projects designed to solve the various difficulties involved in handling radioactive materials and controlling to best advantage the atomic fission process. There are some twenty-two such study groups, including Atomic Power Development Associates headed by Detroit Edison, and the Nuclear Power Group including American Gas & Electric, Commonwealth Edison, etc. It has been estimated that the Associates, formed in 1952, represent some 37% of the electric power industry as well as a number of manufacturing and engineering firms. Many universities are doing research work with small reactors but they are not much interested in the power angle.

(3) Consolidated Edison

Consolidated Edison was the first big utility to announce plans for private construction of a large reactor (without Governmental assistance except with respect to enriched uranium or plutonium), following passage of the Atomic Energy Act by Congress in 1954. The company planned to use a 340-acre tract of land which it had acquired in an isolated spot on the Hudson River. This was to be a 236,000 kw plant with an estimated cost of $55 million, and the AEC gave the company a license to proceed with the project. President Searing stated, "We have no illusions that the development we are undertaking will be the last word. On the other hand, we think it will represent a real contribution to the art of electric production by nuclear fuel."

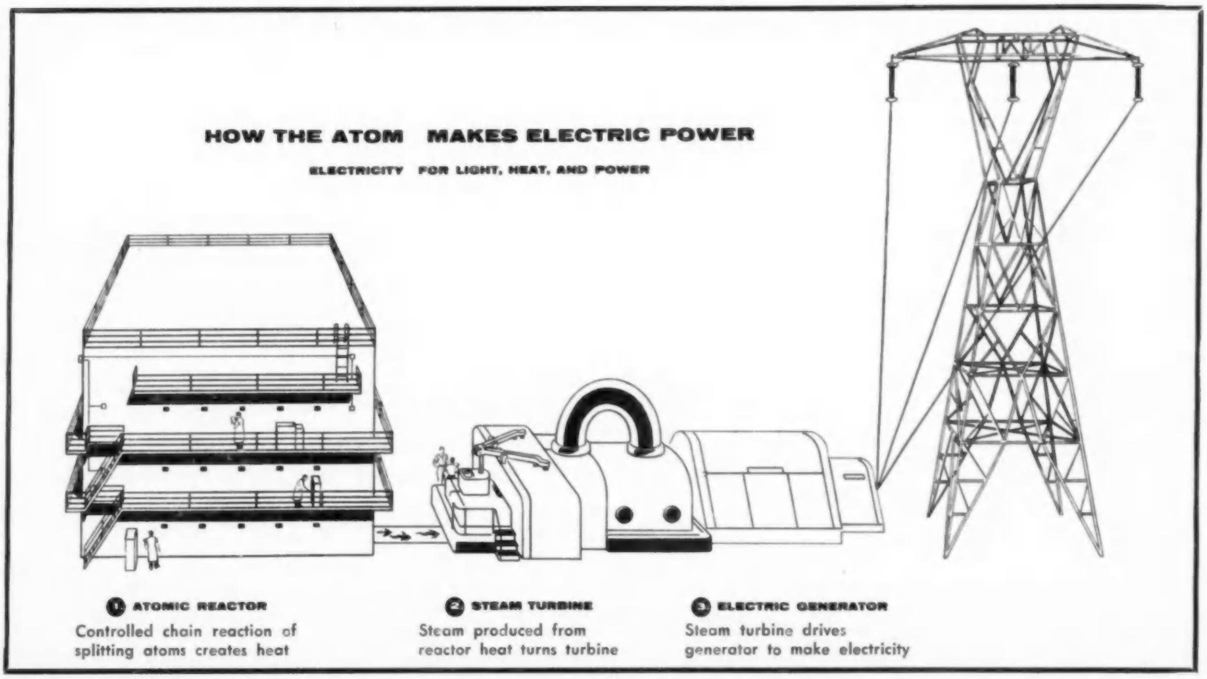
Last spring (shortly after the Consolidated Edison announcement) Admiral Lewis L. Strauss, Chairman of the Atomic Energy Commission, requested proposals from private companies for constructing power reactors, with Federal cooperation and assistance "within the limits of available funds". This was the first public announcement of plans to effect the Administration's program under the Atomic Energy Act. The AEC then agreed to sell or lease uranium, thorium and heavy water to the utilities, or to lease processed uranium and plutonium during this period at fixed prices (subject only to change with general price level). It also promised private atomic producers a seven-year guaranteed price for the principal by-product of atomic energy, plutonium.

These arrangements were necessary to permit the utilities to estimate the cost of producing power—which previously they could not do with any accuracy. It went a step further than the contract with Duquesne Light, where the utility company merely bought the steam from the Government-owned reactor. The Government also promised to loan, free of charge, the necessary inventory of processed uranium which would be tied up in the power plant, and there were various other advantages set forth in the program.

(4) Yankee Atomic Electric Group

These announcements by the AEC soon brought in several other important applications by leading utilities to construct atomic power plants. *Yankee Atomic Electric Company,* in which *New England Electric System* took a leading position with a 30% participation on April 1 filed a proposal with the Commission for construction of an atomic power plant in western Massachusetts. The proposal contemplated building a light water moderated and cooled reactor plant of about 100,000 kw capacity estimated to cost about $25 million. Power from the project would be distributed to 12 sponsoring utilities in New England in proportion to their financial participation. The company later filed an application with the SEC for permission to issue $500,000 common stock, which would be sold to the sponsoring companies; also short-term non-interest bearing promissory notes of the same amount to be sold to

(Please turn to page 333)



LABOR TYCOONS – To Dominate Industry — Banking — Politics?

By L. A. LUKENS

The merger between the American Federation of Labor (AF of L) and the Congress of Industrial Organizations (CIO) about to be consummated in early December is, potentially, one of the most portentous developments in the political and economic life of the nation. Some eighteen million union members are to be joined in a monolithic organization—to be added to by many more millions in coming years—and headed by as hard-headed, able and ruthless a group of men as have ever dominated a national labor organization in any country on earth.

What these men hope to accomplish, and within the foreseeable future, is the creation of a political and economic structure that will be able, for the present, to vie on even terms with even the most powerful aggregations of industry and finance, and, later, to usurp as much of their power as possible, finally leading to a socialist-labor form of government. This grandiose plan, assuredly, will take some years to fulfill but it remains the constant objective of these leaders in any case.

In their sure sense of power, not only over the national labor organizations but over the millions of men and women who comprise their membership, the labor union chiefs have managed to see to it that they possess the appurtenances that usually go with high office. This is not astonishing in view of the immense sums that are in their control. Thus, some union chiefs enjoy salaries running as high as $50,000 annually, not counting immensely valuable special "expense" accounts, that swell the total substantially.

A Vast Pool of Financial Power

The base of this power is the rise in union wages and in "fringe benefits". Union wages have been rising for a long time but it is only in recent years that the magic of fringe benefits has been employed to create reservoirs of capital which compare with governmental treasuries; indeed, few governments in the world in their periods of greatest solvency could approach the riches now standing to the credit of the various unions!

Inasmuch as the vast fund is so fluid and so widely spread to sources, precise figures are unavailable. From thousands of locals all over the United States and Canada, trickles and rills of money flow to create rivers emptying into the sea of wealth. The most conservative estimate places the present accumulation at $26 billion. At the other end of estimates is the by no means implausible figure of $40 billion.

Whatever the sum is, the more important fact is

that it is not a static one; it is not a pool of capital that has been accumulated and now stands still. *It continues to gather at the rate of $8 billion a year and $3.5 billion of this, after payment of benefits to union members, is available for reserves, available to enter the investment field, available for the purchase of securities, Federal, municipal, industrial, commercial.* Presumably for a number of years this vast annual accretion will increase, adding weight each year to the reservoir of billions already existing. To what extent this new fiscal giant will tower over and dominate the American economy is perhaps the major question of our economy today!

The two big labor aggregations, the AFL and the CIO are not themselves especially wealthy so far as per capita payments into their treasuries are concerned. The latest published AFL financial statement showed income of $5,582,000 with a balance after expenses of $1,615,000. But in the same year the affiliated unions of the organization paid out in sick, death, old age, unemployment and other benefits the vast sum of $107,346,000. Similarly the CIO's latest report shows income of $5,264,000 and expenses of $5,351,000. The CIO is more secretive about its finances than the AFL and a statement of benefits paid out of welfare funds, comparable to that of the AFL is not available.

The great accumulations of labor wealth are in the hands of the affiliated international unions. They run their own fiscal affairs which are not subject to central control. Assuredly, when broad general policies are at stake, many if not most of the big unions look to Washington for advice but they are free to take it or ignore it.

The pension fund of the United Mine Workers has had the widest publicity of any fringe benefit accumulation. During the nine years it has been in existence this fund, based on a tonnage tax for each ton of coal mined, paid by the owners, had reached $882,423,780. The unexpended balance according to the most recent report stands at $103,607,911. This fund has such public trustees as Josephine Roche and, until recently, Senator Styles Bridges of New Hampshire and its operations are known to the public. Far less is known about the management of other funds.

Of special interest is the circumstance that, although the Taft-Hartley Act provides that labor organizations shall make regular reports to the Government concerning their income and various fiscal operations, the figures are not available to the public. The unions do indeed make reports to the Department of Labor but the Secretary of Labor takes the position that they are entitled to the same shroud of secrecy that veils income tax returns!

Aside from the information on wealth of various unions which leaks out locally, aside from the frequent boastfulness of union leaders, one has only to read newspapers and magazines, especially the labor press, to gain some idea of the vastness of labor riches. Scarcely a week goes by that some union is not laying the corner stone of a new headquarters building, some high Federal or State official is not opening a vast block of apartment houses or other structure erected with union funds and wholly union owned! While much publicity has been given the $5 million Teamsters' building at Washington, scarcely anything has been said about a comparable structure in San Francisco. And there are scores, hundreds of others scattered all over the Nation.

Immense Real Estate Holdings

Historians have written that Augustus Caesar found Rome of brick and left it of marble to illustrate the tremendous achievements of the Augustan Age. It might be said today that the modern labor unions found Washington and altered it in much the same fashion! Except symbolically, the tonnage of marble the labor unions have erected at the National Capital is only a fragment in a hod compared with what the Government has created in that medium but from the symbolic aspect the historical comparison with Augustus is not too extreme.

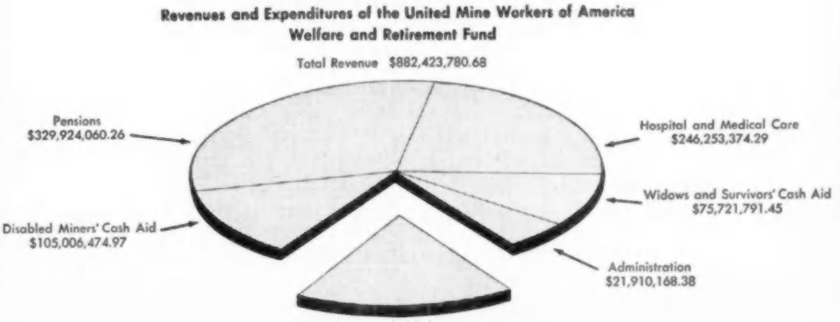
It is true enough that many fairly costly structures, most of them almost unbelievably unsightly, have been erected at Washington by the labor unions in a brief period but it is their location not their material that is of major importance. Most of them have been built upon fabulously valuable sites strategically located in relation to Government structures.

The edifice of the Teamsters Union has received hundreds of columns of newspaper publicity together with entire layouts of photographs. It is an ungainly, modernistic structure of marble and glass and it has been almost universally priced at $5,000,000. As a matter of stern fact, official figures filed with the building authorities of the District of Columbia, according to law, show the building cost $2,000,000.

However, the Teamsters' palace is located facing the Union Station Plaza on the one hand and the Capitol of the United States on the other. The site, obviously, was expensive and the vital point is that any Member of Congress or other arrival at the Station is faced by the imposing structure while at least half the members of the United States Senate cannot gaze out their office windows without be-

NINE-YEAR PERIOD, 1946-1955

Revenues and Expenditures of the United Mine Workers of America Welfare and Retirement Fund



SALARIES OF UNION HEADS

(All union Presidents receive generous travelling and expense accounts which vary widely.)

	YEARLY SALARY
Dave Beck, Teamsters	$50,000
George Meany, American Federation of Labor	40,000
David J. MacDonald, United Steelworkers	40,000*[1]
Jos. V. Moreschi, Hod Carriers	30,000
M. A. Hutcheson, Carpenters	30,000
Harry C. Bates, Bricklayers	30,000
John L. Lewis, United Mineworkers	25,000
————, Plumbers	20,000*[2]
C. J. MacGowan, Boilermakers	20,000
James C. Petrillo, Musicians	20,000
Walter Reuther, Auto, Aircraft Workers	18,000*[3]
J. S. Potofsky, Clothing Workers of America	15,000

*[1] Reports have been current that MacDonald's salary is to be increased to $60,000.

*[2] Martin Durkin, President of the Plumbers, died last month. The union will decide if his successor will receive the same salary.

*[3] Walter Reuther receives no salary as President of the CIO but is allowed a generous expense account.

coming acutely aware of the Teamsters across the green lawn! That $5,000,000 item is made up by the price of the site and, of course, the luxurious furnishings which have gone into this show window designed to impress upon Washington the might and prestige of this union.

Away across the Capitol grounds but about as near as feasible on the other side, the Senate side, rises the brand new structure of the Letter Carriers, a plain marble building. This cost, without land or furnishings, $190,000. The site is the important part because of the very limited number of sites close to the Capitol what with the Senate and House Office Buildings, the Library of Congress, the Supreme Court and preserved parks occupying the surroundings.

There are many more lavish buildings in Washington than those of the labor unions. While some degree of lavishness may be of service in stressing the wealth of the unions, now grown to fabulous proportions, this sort of emphasis is scarcely needed. How many union structures would have been around the Capitol had space been available is only conjectural. There are other sites in many ways equally strategic.

Incidentally, the Steelworkers have bought about half a city block of land in another strategic place where they expect to erect a much larger building. The site, also, is as close to the White House as publicly owned other property permits. It lies across one street from the old State, War and Navy Building which houses the White House Secretariat and across another from the Corcoran Gallery of Art. If one should assume that much of White House policy is written in the Secretariat headquarters, rather than the Executive Mansion itself, then the Steelworkers will be the closest in of any for one would be able to toss a press statement from the planned structure into the White House office windows!

Ranking in costs with the Teamsters' palace is the Machinists' new building on Connecticut Avenue, just south of DuPont Circle. It is a $2,000,000 office building of modern design. It stands on the site where the British Embassy stood since long before the First World War.

Perhaps when the Machinists acquired the site of the old British Embassy they were thinking that, just as Lord Bryce, Sir Cecil Spring-Rice and other famous British Ambassadors who had dwelt there represented a vast empire, so the labor leaders who have established these Washington headquarters have become ambassadors of the various segments of the new and mighty financial empire which has been created by organized labor!

Potential Pressure

What is of primary importance to all Americans is: what pressure will this growing accumulation create? The American economy was built on the accumulation of great reservoirs of capital but heretofore they have been in the hands or at least under the control of representatives of management rather than labor. At various periods, development has been slowed through lack of capital accumulations; at other times it has spurted ahead.

According to J. Sinclair Armstrong, Chairman of the Securities and Exchange Commission, the process of capital formation has greatly increased recently. In 1935, for example, new corporate securities offered the public amounted to only $2.8 billion. In 1954 the figure was $9.6 billion and in only the first nine months of the current year the sum was $10.1 billion. Of course corporate wealth has been building up like a coral reef for a century

Rise in Minimum Wage Rate

Date when Rate was Established	Common Labor Rate or Minimum Plant Rate of a Major Steel Company Pittsburgh, Pennsylvania, area.	Date when Rate was Established	Common Labor Rate or Minimum Plant Rate of a Major Steel Company Pittsburgh, Pennsylvania, area.	
January 1, 1900	$.15	May 16, 1932	.33	
June 1, 1902	.16	July 16, 1933	.40	
January 1, 1904	.145	September 16, 1933	.425	
April 1, 1905	.155	April 1, 1934	.47	
January 1, 1907	.165	November 16, 1936	.525	
May 1, 1910	.175	March 16, 1937	.625	
February 1, 1913	.20	April 1, 1941	.725	
February 1, 1916	.22	February 15, 1942	.78	
May 1, 1916	.25	January 1, 1946	.8725	
December 16, 1916	.275	February 16, 1946	.965	
May 1, 1917	.30		Minimum Plant Rate (Job Class 1)	General Labor Rate (Job Class 2)
October 1, 1917	.33	February, 1947	$ .965	$1.00
April 16, 1918	.38	April 1, 1497	1.09	1.13
August 1, 1918	.42	July 16, 1948	1.185	1.23
February 1, 1920	.46	December 1, 1950	1.31	1.36
May 16, 1921	.37	March 1, 1952	1.435	1.49
August 29, 1921	.30	June 12, 1953	1.52	1.575
September 1, 1922	.36	July 1, 1954	1.57	1.625
April 16, 1923	.40	July 1, 1955	1.685	1.745
September 1, 1923	.44			
October 1, 1931	.39			

or more. The total value of securities traded in or eligible to be traded in on the Stock Exchange is $200 billion. It will be noted that the accelerating rate of new capital formation, if continued could double that sum in twenty years or less.

Who is absorbing these new securities? *Beyond any question large blocks are going into the hands of labor unions.* Aforetime, union constitutions permitted investment of funds only in bonds, governments or other blue chips. Then came the first relaxation permitting purchase of preferred stocks. And now some unions have amended their muniments to permit investment in common stocks!

There has been some anxiety expressed about the continued rise in the price of stocks. This rise, to an important degree, is due to the fact that so much of this union money, on top of insurance company and other accumulations, such as the foundations, is going into corporation securities. The higher price level is sustained because these purchases are made for permanent, not for speculative investment. There is a steadily reinforced support.

But there is no doubt that should the unions choose they could throw stocks on the market in such volume as to gravely affect the values. Moreover, they could wholly supplant management in the control of great corporations. Many years ago *The Railway Age*, following a railroad wage increase, observed: "The total par value of railroad stocks outstanding in the hands of the public on December 31, 1917 was $6,583 million. The saving by railway employes of the recent *increase in their wages* would give them $625,000,000 for investment. On this basis, if they bought at par, they could easily, by investing all their savings (and dividends) in railway stocks *become owners of a substantial majority of all the stock outstanding within five years.*"

Now that was long before the days of fringe benefits. The recipients of that wage increase did not buy stocks. Today the vast fringe benefit accumulations are not in their hands to spend as individuals. The sums available are not in the hundreds of millions but in the billions.

Not only can they buy control of all the railroads; they can buy control of some of the greatest industrial corporations in existence. Perhaps they have! In many industrial disputes there recently has arisen the issue of labor representation on boards of directors; that is active participation in management. It would appear that such a development need not come as a result of negotiation at a collective bargaining table. Labor can move in as stockholders and, easily, remove an entire management board of directors!

The many cases in which labor already had bailed out management such as the loans to keep garment factories going, the interesting million dollar loan by the Teamsters to Harvey Fruehauf to tide his truck business over a tight spot are but a small portent. The unions soon will be able, not only to help industry, but practically to take it over!

Suppose, for fun, all the unions decided to form a mutual investment organization. It would overshadow all the others now in operation!

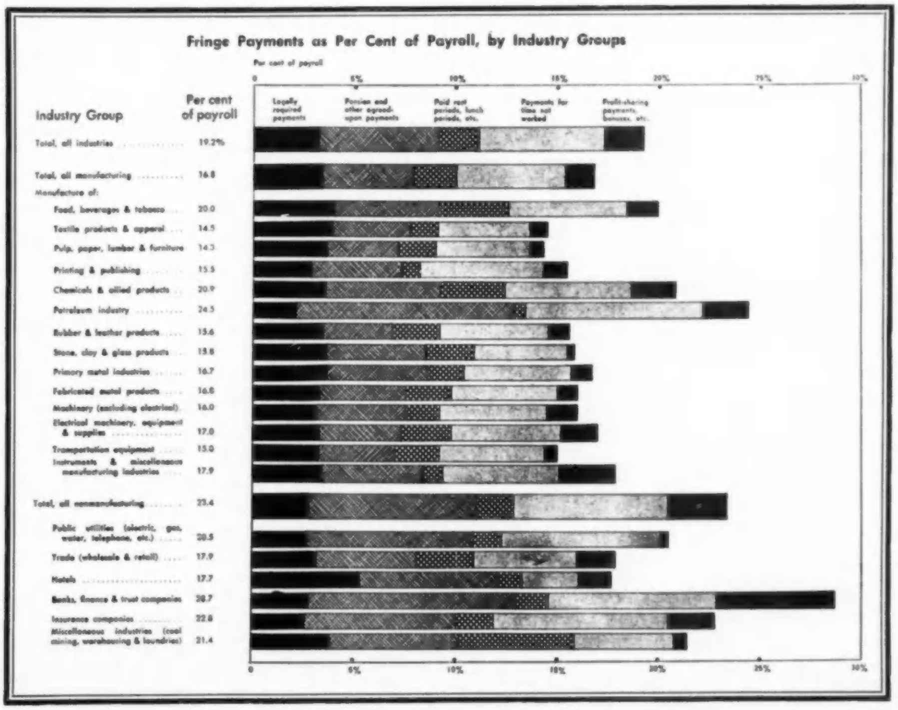
Unions in Business

Direct participation of the labor unions in finance and industry, either through stock participation or through direct loans to business from union cash reserves, is growing. One need not be reminded of the familiar Amalgamated union bank in New York City which has poured tens of millions of dollars into residential building for workers, now being imitated in other parts of the country. Another example of labor union-banking is the National Bank of Washington (D.C.) controlled by the United Mine Workers.

There have been many examples of labor union loans from small to large size to companies which have been facing difficulties. Rather than see the plants shut down with the workers thrown out of their jobs, the unions step into the breach and make loans just as banks would. The point is that the unions, through their loans, can have a direct say in the management of these companies.

On the political side, of course, the important union leaders, Meany, Reuther, Carey and the rest have made no bones about taking a direct stand on candidates and issues in the next election. Probably, the nation has seen nothing to remotely resemble the kind of political union activity that may be expected during the campaign. This will be an innovation in American life but it is probably here to stay.

—END.



New Industrial Giants for Fortune Building

— Appraising 1955 Mergers —

By W. L. RADFORD

In this article, we describe a few mergers that have taken place in 1955. Several of these represent constructive moves having potential benefits to all parties. We also mention several which, apparently, are marriages of desperation—shotgun weddings—but that in time, providing there is no great incompatibility, may produce some profitable offspring.

The number of business mergers consummated this year broke a 25-year record. When the final 1955 tally is made it is expected acquisitions and consolidations of industrial companies in various fields will be in the neighborhood of 500, running ahead of the 387 in 1954. The historic peak was in 1929 when there were 1,245. These figures are exclusive of bank mergers estimated this year at close to 250, a number matching those that took place in 1929, and comparing with 207 last year.

The tide is running strongly in the direction of more and more mergers as a natural concurrence with a high level of business prosperity. There are a multitude of reasons. One is that companies, through mergers or acquisitions, open up avenues leading to increased capacity or widen their range of products and, in many instances, also broaden their markets through consolidated distributing facilities. Another is that weaker companies probably found it desirable to pool their operations, creating a stronger defense against competition of larger concerns. Still another stems from the phenomenon usually associated with activities in a strong market whereby favorable stock "deals" may be made by insiders, either on the buying or the selling side.

Also, mergers may involve tax considerations which will pay a company to absorb another that has been experiencing losses and thus reduce its own tax liabilities. We mention these points because investors should realize that not all mergers are economically sound and are not justified from the investment viewpoint. Others, of course, arise from natural economic considerations.

A Logical Merger

One of the 1955 mergers, to which stockholders of both companies gave their blessing by a vote of approval last September, was that of the Lion Oil Company acquired by Monsanto Chemical Company. This is a combination that appears logical and sound. Lion Oil, a well balanced and integrated oil producing, refining and distributing organization, is also a major low-cost producer of anhydrous ammonia and of certain of its derivatives which are consumed by agriculture and the chemical industry. Monsanto and its associated companies are substantial consumers. In addition, Monsanto, a large producer of phosphorus, has developed processes which combine phosphorus and ammonia into concentrated fertilizers marketed in solid or liquid form. Moreover, Monsanto already had a substantial investment in the petrochemical industry as a large scale manufacturer of styrene, vinyl chloride, methanol and acrylonitrile, and is also a large purchaser of petrochemicals as ingredients for many of its other products.

Providing A Source of Raw Material

Because of the importance of petroleum and natural gas as raw materials for the chemical industry the logic of the merger is readily apparent as it makes available to Monsanto facilities for the exploration, development, processing, refining, and marketing of oil and gas and the products thereof. Incidentally, Lion on June 1 of this year was estimated to have net proved developed reserves of more than 75 million barrels of crude oil, 545,739 barrels of condensate, 12 million barrels of natural gas liquids, and 237.4 billion cubic feet of natural gas, a sizable source of such raw materials as natural gas, petroleum fractions and products which are or can be obtained from petroleum for Monsanto's produc-

tion of petrochemicals, a large and expanding part of its business. The potential benefits of the merger, however, go beyond that. The rapid linking of the petroleum and chemical industries made it desirable for Lion Oil to have available to it more extensive research and development facilities as well as increased production and sales capacities for chemical and allied products.

An outstanding feature of the merger is that there is virtually no duplication or overlapping in the two companies' activities which are complementary while the combination of skills and facilities the merger made possible would be supported by present total assets of about $550 million and a current annual sales volume of close to $500 million.

Mergers for Other Reasons

Some other mergers taking place in the current year were equally sound and logical. Others, by no stretch of the imagination, could never be so classified. Several of this latter type of merger, consolidation or acquisition were made by companies that after struggling along for a few years or more, reached the point where they were forced to ask themselves "where do we go from here?" Adam Hat Stores, Inc., for instance, following six years of earnings measured in pennies per share, plus two years that produced operating deficits, sold its wholesale division this year, converted all of its retail stores to individual units. With this realignment and conversion, and an improved cash position, the company began to seek investments in new and unrelated fields, acquiring last October, for an undisclosed amount of cash, the Gemex Co., a maker of watch bands which is a highly competitive business.

Even more fantastic was the news that broke last summer to the effect that ACF-Brill Motors Co., one time a major builder of buses, bought a 50% interest in a chain of supermarkets operating in the Detroit area. This action was followed by the acquisition of other food store operators in scattered sections of the country. Current plans involve merging these several food store companies into ACF-Brill which when consummated would make food marketing its principal business. This is quite at variance with the building of trolley cars, now practically an obsolete vehicle, and buses which fell victim to competition from stronger companies.

Recent developments in the affairs of ACF-Brill and Adam Hat are good examples of how changing conditions are causing some companies to abandon former operations and go far afield seeking new opportunities either by purchase, if they have the wherewithal, or by merger by mutual consent in the hope, nourished by all concerned, of staving off the inevitable.

Horizontal and Vertical Growth

Such mergers are in sharp contrast to such as consummated that by Lion Oil and Monsanto, or recently completed by Olin Mathieson Chemical Corp., when it took into its family of subsidiaries the Blockson Chemical Co., through an exchange of stock. This acquisition was just another step in the continued expansion of Olin Mathieson, one of America's important diversified processing and manufacturing enterprises with 1955 net sales running at a rate well over $500 million.

Blockson, one of the leading U. S. producers of sodium phosphates, except for 1952, has a 14-year record of increasing sales which on the basis of 1955 first-half volume is expected to reach a new peak this year of more than $30 million, with net earnings of approximately $2.30 for the common stocks outstanding prior to the merger. Olin Mathieson, continuing to build horizontally as well as vertically, took another step this year, purchasing for 725,000 shares of its common stock and $50 million in cash, the Brown Paper Mill Co., and its four associated companies. This acquisition increased Olin Mathieson's timberland holdings to about one million acres; facilities for the manufacture of 650 tons of pulp and paper per day; two paper bag and two kraftwood container manufacturing plants. Olin Mathieson for some time has been a producer of fine quality cigarette paper and printing papers used widely in Bibles, dictionaries and other publications while present forest products include lumber, flooring, furniture and various treated timbers. These, of course, are in addition to its industrial and agricultural chemicals, petrochemicals, pharmaceuticals, cellophane, polyethylene film, non-ferrous metal alloys, fabricated metal parts, and many other diversified products for consumer and industrial needs. This, of course, is just part of the favorable picture for the company.

General Tire and the Movies

Some strange and startling moves are sometimes made by companies in their acquisitions or mergers. There's General Tire & Rubber Co., for instance, acquisition last July of RKO Radio Pictures, Inc., for which it paid (*Please turn to page* 340)

Companies Which Have Made Numerous Acquisitions Between 1948-55

Name of Company	Industry	No. of Acquisitions
Allied Chemical & Dye Corp.	Chemicals	7
American Machine & Foundry Co.	Non-electrical machinery	11
American Marietta Co.	Chemicals	14
Borden Co.	Food and related products	18
Burlington Industries, Inc.	Textiles	13
Continental Can Co. Inc.	Metal and other containers	7
Ekco Products Co.	Fabricated metals	11
Food Machinery & Chemical Corp.	Chemicals	14
Foremost Dairies, Inc.	Food and related products	52
General Shoe Corp.	Leather	8
General Tire & Rubber Co.	Rubber products	8
H. & B. American Machine Co.	Fabricated metals	6
Internat'l Minerals & Chem.	Chemicals	6
Koppers Company	Chemicals	9
Maremont Automotive Products	Transportation equipment	6
McGraw Electric Co.	Electrical equipment	8
Merritt, Chapman & Scott	Non-Manufacturing	6
National Dairy Products Corp.	Food and related products	9
National Lead Company	Chemicals	7
Olin Mathieson Chemical Corp.	Chemicals and other	20
Porter (H.K.) Co., Inc.	Fabricated metals	15
Textron American, Inc.	Textiles	11
United Industries, Inc.	Transportation equipment	10

JETS BRING NEW AIR RULES

By "VERITAS"

JET AGE has moved into the aviation world with such momentum that the Civil Aeronautics Administration has had to speed its research and planning for creation of rules of airworthinness. Within a few years, 4 airlines will have spent half a billion dollars for jet-powered fleets, all to be made in the United States, with unit costs running between $4 and $6 millions. KLM Royal Dutch has placed orders for eight, to be delivered in 1960 under a $50 million invoice. For the time being, the jet industry is authorized to plan safety standards relating piston rules to jet's higher power.

WASHINGTON SEES:

Reappraisal, some of it agonizing, will be given the international outlook in the light of Geneva failures and while this was certainly in the light of the no progress report brought back by Secretary Dulles, it was not expected to begin as soon as it has.

Washington announcement that Soviet scientists have exploded the biggest H-Bomb to date may be put down as the first of a series of short-of-panic warnings. The explosion was played up out of proportion to past policy. Its force in terms of TNT, the expanse of destruction, and other details normally preserved for "puffing" the home laboratory industry, were all there.

Riding the echo of that detonation was the statement by U.S. Information Service that funds for the foreign propaganda service must be substantially increased next year — doubled, perhaps.

Without waiting for Congress to return, the State Department is talking in terms of foreign aid that appear to add up to more, not less, than at present. And the attitude around State offices is that it will be forthcoming, not so much by choice, as by acceptance of the realisms of diplomatic life.

Gathered from comments around the affected agencies, the Administration's advice for next year is: Stop waiting for Russia's moves: anticipate, and better them.

U. S. SENATE promises earnest consideration of two much to be desired improvements. Forecast of what will come out of it all seems safe at this point: nothing. The first proposes that unlimited debate be discontinued in the Senate, and that both Houses of Congress require that speeches be germane to the matter before the Congress. The second would abolish the seniority rule as the measure for bestowing committee chairmanships and the vast powers that accompany. Present rules have served to permit talking much legislation to death. Seniority causes the committee chairmanship age level to border 70.

TURNABOUT in the political fortunes of Ezra Taft Benson now has him elevated to Republican Presidential nomination talk. The skeleton of a Benson-for-President organization has been created with John C. Davis at its head. He's Benson's former publicist in the U. S. Department of Agriculture. The influential Farm Journal says Benson has been offered "very solid financial help," but has confided this fact only to his wife. Which seems to mean the third party in on the secret made the offer. The Journal is published by the Pew family (Sun Oil), angel of many GOPers.

EMBARRASSMENT caused by constant mention of his name as a probable "draft" candidate for the Republican Presidential nomination has caused Justice Earl Warren to "plant" a series of stories reiterating his denials, repeating his determination to remain on the bench. Warren is practical enough to know he can never be disassociated from a political background. But as a Justice he wants it that way: background.

As We Go To Press

Adlai Stevenson got off to such a flying start to the Democratic Presidential nomination that the "favorite son" technique of slowing, or stopping, the front runner already seems futile. Tammany's Carmine De Sapio had just completed a tour in support of the strange campaign of Ave Harriman when Adlai's boom reverberated through Chicago and the Nation. De Sapio had returned to New York City confident that Governors and Senators, among others, had been flattered into holding their state delegations uncommitted in the early ballots. How wrong he was, soon became clear. But not all party chiefs are enthusiastic about their 1952 loser. Some of the democratic big money still favors Estes Kefauver.

Political straw-catchers will watch the early state primaries. If Kefauver stays out of some of the more significant contests and gives Adlai a clear field it will be interpreted as a deal: a Stevenson-Kefauver ticket in the making. Many party chiefs already speak of that as if they might buy it -- combining the Phi Beta Kappa key with the coonskin cap to increase appeal. Sidetracking of Stephen Mitchell, former party chairman, has interesting implications. Mitchell is political poison to the southern wing of democracy whereas the chairman-designate, James Finnegan is a politician of the Jim Farley school and can handle the Dixiecrats. Mitchell will run for Governor of Illinois. He'd be more help to Adlai that way.

Treasury Secretary Humphrey is being quoted by banker friends as looking with a fishy eye on the budget balance program. Humphrey, Cabinet realist, doesn't like the idea of "bookkeeping balance" or juggling the facts — a form of balance attainable at any time. Humphrey doesn't see the Pentagon determinative on whether balance comes or imbalance remains. This is in spite of press attempts to conjure a feud between him and Secretary Wilson on the point. Humphrey says it's a matter of foreign aid cost, points out that this item must be cut if income and outgo are to match. But he expected State Department to ask for more and Congress, grumblingly, to grant the higher amounts.

Senator Allen J. Ellender, Senate committee chairman for agriculture, is showing signs of despairing over the problem of getting a workable plan drafted. He has asked national farm groups to get their heads together, as a probable preliminary to knocking their heads together. Three major general farm organizations — American Farm Bureau Federation, National Grange, and Farmers Union — are far apart as to the extent of Federal aid to agriculture that should be forthcoming, and what form it should take. The Louisianan has returned to the Capital after a nationwide tour of grass roots soundings. He found no agreement on any basic point.

A House committee begins this month studying data on "The Economic Aspects of Taxation." The title suggests a large field of exploration, and it isn't deceiving. Textbook for the Congressional classes will be papers prepared by 80-odd panelists. These have been carved into 17 principal topic headings and the committee, chaired by Rep. Wilbur Wills of Arkansas, will designate a discussion leader for each. Mills finds taxation dividing into three categories of study: 1. Political. 2. Economic. 3. Technical. The Forand Committee is studying the technical, the political needs no special attention. On the third point Mills says hopefully: "We could reach conclusions to which committee members could agree."

The moving van operating business is booming. And, presumably, so too

are the services, trades and mercantile lines that benefit when the vans roll. The elasticity of America's supply of homes is demonstrated in Census Bureau findings: This year, 1 of each 5 persons in the country has been on the move from one place of residence to another. It's estimated that 31.5 million persons changed residence in the year. About 21 million remained in the same county, and another 5.5 million didn't go out of the state. But they moved!

It now appears that the farm belt has been sufficiently rounded and organized to defeat the "Hoover Plan" for Rural Electrification Administration. The plan gets its name because it originated in the Commission on Organization of the Government, headed by the former President. The REA co-ops don't like the idea but private power companies are spending money and effort to put it across. Simply stated, it would install business methods in REA and put interest charges at a more realistic level. Now they're nominal; had to be to get the program of bringing power lines and telephone service to rural districts. They weren't truly competitive with private enterprise then, but they now are, the electric companies are prepared to show. Showdown will come early in the next session of Congress.

Defense Department has been given the approving sign from President Eisenhower to defy Congress by cutting down on operations which are competitive with private enterprise. Senate's Small Business Committee made long and detailed study, found the Government competing with private business in scores of areas of operation. The Committee told the agencies to justify, or quit. But while the Senate group was moving in that direction the appropriations committee was seeking to cancel the mandate: it directed that no private-enterprise type of Government business be closed down "until the committee will have an opportunity to take up these matters in orderly procedure."

Involved at this point are 14 types of military production and services. If the principle of departure from competition with private companies is approved by the committee, or is successfully enforced against the Pentagon there will be major policy changes. President Eisenhower flatly declared an appropriations bill rider authorizing Congressional committee review of the closings is unconstitutional.

An important break in the wall of democratic party opposition to the GOP flexible price support program for agricultural products has appeared. Influential young Senator John F. Kennedy of Massachusetts, offers no encouragement to farmers who may think the imminence of a national election will force early, remedial measures: neither party will bring forth a new, fresh, realistic appraisal, he predicts. But that doesn't mean he considers the present effort a total loss or without chance of success.

Importance of Senator Kennedy's views lies not only in the high esteem in which his position is examined by politicians generally, but also in the circumstance that usually he speaks the views of a hard-working bloc of young Senators. If that holds true, Republicans won't go it alone on the Benson Plan's continuance; opposition to summary change will cut across the upper branch of Congress to pick up strength in Massachusetts and the State of Washington (Sen. Jackson), from Minnesota (Sen. Humphrey) to Louisiana (Sen. Long), and at way stations.

The defense contract renegotiation law is closing space toward its expiration date and whether Congress will review it next year remains a question so far answered only with guesses and speculation. It is true that military procurement today is much more expensive and expansive than it was in many war years; that's the argument made in favor of continuance. Against this is the contention that the uncertainties of a contract subject to renegotiation has caused progressive deterioration in the mobilization base, and is forcing the government to depend more heavily upon less efficient manufacturers whose prices are excessive but who escape renegotiation because they can show only marginal profit.

New Stock Listings in 1955

By JOSEPH C. POTTER

In the year now drawing to a close, the New York Stock Exchange has admitted to dealings the shares of 35 companies. Aside from the few corporations that have been long familiar to traders and are new only because of a merger (such as the joining of Remington Rand and Sperry Corp. to form the new Sperry Rand), their sketchy mention in the press was inadequate, a lack that this article is designed to satisfy.

Investors who have all they can do to keep abreast of the 1,500 issues now dealt in on the exchange may regard these issues as strange or new, but actually quite a few of these corporations have a longer history of successful operation than numerous companies whose shares long have been traded in on the Big Board. They may even have superior dividend records, although such cases are exceptional. For the most part, the newcomers are old-line companies in their particular field of operations. The upsurge in the economy, it must be remembered, has made medium-size companies of many that only a few years ago were unknown beyond their area of operations. It is not unnatural that they should seek the prestige, attention and the superior marketability of their equities that a New York Stock Exchange listing automatically confers.

While inability of a company to qualify for listing is not necessarily a reflection on its stature (it may, for instance, lack the 1,500 stockholders, each owning a round lot), admission to the Stock Exchange denotes considerable standing. To pass muster, the company must establish that there is national interest in the firm and its securities, it must show a pattern of consistent growth and established earning power (a net profit of least $1 million in the year preceding admission), it must have considerable standing in its own industry. There must be at least 300,000 shares in public hands and the aggregate market value of the stock must be at least $7 million.

Thus, it may be seen that many a highly successful company would not qualify for a listing on the New York Stock Exchange. After all, even the giant Ford Motor Co., which will come to the exchange early next year, will be forced to alter its corporate setup to meet the requirements of the Big Board. These include a changeover to voting stock and a widening of the distribution of the shares. The Ford example, of course, is rare—a newcomer that is among the best known corporate entities in the world. By and large, newly-listed companies are unfamiliar to investors; hence we propose to deal in the following with several that have been admitted to the Big Board this year.

Oxford Paper Co., formed around the turn of the century, manufactures commercial, book and printing papers, and allied products. Production includes book paper used in magazines, books, catalogues, folders, envelopes, business forms, duplicating paper, box wraps and general commercial printing. In recent years, Oxford has bought the bulk of its pulpwood requirements in Maine and Canada to conserve its own timber resources. The company long has pursued a policy of seeking wider diversity of papers. Its products are turned out at company-owned plants at Rumford, Me., and West Carrollton, O.

In more than a half-century of operation, Oxford

never has failed to show a profit. A measure of its growth may be gleaned from the fact that net sales rose from less than $24 million in 1945 to a record $54,245,000 last year. Net profit in 1945 totaled little more than $1 million, compared with a record net last year of $3,408,000, or $3.81 on each of the 761,-470 common shares outstanding. Even that record should be surpassed this year, for in the nine months to September 30 sales approached $42 million and net profit amounted to $2,729,000, or $3.08 a common share. There are also outstanding, 101,434 shares of $5 preference, no par, stock.

The common is on a 30-cent quarterly basis. An extra of 25 cents was disbursed in January. Based on the rise in earnings and the moderate payout that prevails, it may be assumed that a cash extra also will be paid in January, 1956.

Foremost Dairies, Inc. was organized in 1931 to conduct operations in 12 communities in four southeastern states. Through the 1930's its dairy business showed steady growth through intensive cultivation of areas served and integration of company operations. After World War II, Foremost expanded operating territory through acquisition of strategically situated dairy companies in areas of better-than-average economic growth. These firms were acquired largely through an exchange of stock. More recently, the company has gained giant stature through the addition of American Dairies, Inc., Philadelphia Dairy Products Co., Inc. and Blue Moon Foods, Inc. These companies are calculated to increase over-all volume by about $115 million yearly. A quarter century of acquisition and expansion has taken what was once a small Jacksonville, Fla. dairy onto the cross-country scene and overseas to the Orient.

As recently as 1939, Foremost had sales of little more than $2.5 million and net profit of $105,000. Last year, net sales amounted to over $247 million and net profit reached an all-time high of $6,102,-000. Earnings per share of common stock, after provision for preferred dividends, were equal to $1.03 a common share, based on the average number of shares outstanding during 1954 (after giving effect to 3-for-1 split), compared with 82 cents a share in 1953, calculated on the same basis. Since 1955 will reflect full integration of recent acquisitions, the year-ago showing should easily be eclipsed. Indeed, this was achieved at the close of nine months, when sales already totaled $284,309,000 and net profit was $6,888,000. Earnings per share, of course, may be another story. The total of common shares outstanding at September 30 was 6,642,595 shares, against 5,666,793 shares a year earlier, reflecting the exchange of shares entailed in acquisitions.

Foremost has a record of paying some dividend in each year since 1943. In July, the dividend was boosted to 20 cents from the 15 cents paid in previous quarters. With the October disbursement, this was raised to 25 cents.

Trane Company of La Crosse, Wis. was founded in 1885 and incorporated in Wisconsin in 1913. The company makes heating, ventilating, air-conditioning and heat-transfer equipment, including steam-heating and hot-water specialties and pumps, unit heaters and ventilators, convectors and allied equipment. Principal customers are heating and air-conditioning contractors. Main plant is at La Crosse. A small unit is leased at Scranton, Pa. and a Canadian subsidiary has a plant at Toronto. All told, floor space aggregates 725,000 square feet. Construction was started at midyear for an additional 55,000 square feet at La Crosse. The company employs about 3,500 people.

As recently as 1944, net sales totaled only $8,849,-000. By 1954, volume had reached a record $50,247,-000, brought down to net profit of $3,403,000, equal to $2.84 a common share. Business has been hobbled this year by a six-week strike that halted production through August and part of September. As a result, nine-month sales declined to $35,659,000 and net profit totaled only $1,534,000, or $1.28 a share. This compares with sales of $36,890,000 and net of

15 New Listings on the N. Y. Stock Exchange

	Capitalization: Long Term Debt (Millions)	Capitalization: Preferred Stock (Thousand Shares)	Capitalization: Common Stock (Million Shares)	Net Working Capital (Millions)	Price When Listed	Recent Price	Indicated 1955 Div.	Div. Yield
American Enka Corp.*	$ —	—	1.1	$21.0	50¾	47	$2.00	4.2%
Beckman Instruments, Inc.	3.4	—	1.2	7.8	25¾	25	—	—
Dan River Mills, Inc.	7.2	26	1.5	33.9	16⅜	15	.70	4.6
Foremost Dairies, Inc.*	52.7	38	6.3	38.4	24	23	1.00	4.3
Hoffman Electronics Corp.	2.9	—	.7	8.9	29	21	1.00	4.7
Kroehler Manufacturing Co.	—	12	.8	14.7	23⅝	24	1.55	6.4
National Fuel Gas Co.	47.4	—	4.1	12.7	21¼	20	1.00	5.0
Oxford Paper Co.*	12.7	101	.7	14.2	36	37	1.45	3.9
Pennroad Corp.	—	—	5.0	n.a.	14	14	1.00	7.1
Pittsburgh Metallurgical Co.*	6.3	—	.5	9.6	29½	35	1.40[1]	4.0
Puget Sound Pr. & Lt. Co.*	40.0	—	2.1	.9	35	36	1.59[1]	4.4
Rhodesian Selection Trust Ltd.	—	—	21.1	n.a.	6½	7	.28[2]	4.0[2]
Southern Production Co.	46.7	—	1.7	4.9	37¼	29	1.00	3.4
Trane Company	2.0	—	1.2	11.9	52⅝	46	1.00	2.1
United-Carr Fastener Corp.	—	—	.6	10.0	37¼	52	2.50	4.8

n.a.—Not available. [1]—Plus stock. [2]—Approximate.

* Favorable long term prospects; others not starred in more speculative position.

$2,482,000, or $2.07 a share, in the like 1954 period. Capitalization consists of 1,200,000 shares.

Backlog of orders for air-conditioning, heating, ventilating and heat-transfer equipment was at an all-time peak when production workers struck on August 1. The strike, of course, dimmed the favorable picture that was developing. Its $1.3 million expansion program has gone ahead on schedule, with completion slated for the first half of next year.

Trane has paid some dividend in each year since 1935 and currently is disbursing 25 cents at quarterly intervals.

Hoffman Electronics Corp. grew out of a radio-manufacturing company that was organized in 1932 in California. Name of the company was changed from Hoffman Radio last year to denote its diverse interests in the electronics field, including television and radio sets, record-players, electronic computers, Geiger counters and kindred products. While the company first became prominent on the West Coast, it now has manufacturing facilities in the Midwest and the Hoffman trade mark has gained national recognition.

As recent as 1947, volume totaled $3,769,000, yet by 1953 annual "handle" had risen to $50,415,000. Sales began to fall sharply last year, affecting commercial and military products. A recent upsurge in the business is narrowing the gap between the showing of 1955 and last year. Sales for the quarter ended September 30 were $11,866,000, an increase of 43% from the second quarter and a rise of 20% from the like 1954 quarter. Sales for the first nine months of 1955 were $29,221,000, against $32,751,000 for the similar 1954 period. Net profit for the nine months this year amounted to $934,000, equal to $1.29 on each of the 722,094 common shares outstanding. This compares with $1,139,000 and $1.57 a share for the year-ago period. Rate of delivery against Government contracts increased substantially in the third quarter. In total, shipments against Government orders are exceeding receipt of orders. Unit sales of TV receivers in the latest quarter were substantially above the year-ago quarter. In this division, operational costs have been reduced, heightening the profit margin.

The stock receives 25 cents at quarterly intervals.

Dan River Mills, Inc. is one of the country's oldest and largest textile producers. Although the present corporate name is but nine years old, it is the outgrowth of a 73-year old firm. Dan River today primarily is in the business of making style fabrics, sold to cutters to fashion into garments or as yard goods to home-sewers. In addition, the company produces a complete line of sheets, pillowcases and gift sets. Dan River is a fully-integrated operation, covering every step from the opening of a bale of cotton (or synthetic fiber) to chemical treatment of finished fabric. All manufacture is done at Danville, Va., in a complex of plants embracing 113 acres. During the postwar decade, company invested more than $30 million on plant modernization and construction.

Preferred stock was retired in April, hence the only stock outstanding was the 3 million common shares. However, shareholders approved in September issuance of an additional 2 million shares of common. Dan River has no immediate plans for issuance of the additional shares other than a small number to be reserved for a stock option plan. Long-term debt of $7.2 million is being pared at the rate of $450,000 yearly with the notes covering this debt maturing in 1971. Net earnings have reflected increases in recent years. From 1952 to 1953, they increased by 106% a common share. In 1954, net per common share was 90.5% higher than in 1953, increasing in dollars from $1,557,000 to $2,836,000. For the nine months to September 30, 1955, sales totaled $63,675,000 and net profit was $2,480,000, or 82 cents a share, against sales of $57,712,000 and net of $1,825,000, or 58 cents a share, in the like 1954 period.

Following the stock split this year, the company paid in October an initial dividend of 20 cents plus 5 cents extra.

Pittsburgh Metallurgical Co., incorporated in 1913, is an important producer of ferro-alloys. Its chrome and silicon alloys are used to make stainless and electrical steels, respectively. Plants are owned at Niagara Falls, N. Y., Charleston, S. C. and Calvert City, Ky. An expansion program, undertaken in decade following World War II, was completed at a cost of about $9 million.

Growth of the company during those years is reflected by a rise in volume from $5,810,000 in the fiscal year that ended June 30, 1945, to $23,817,000 in the 1953 fiscal year. In the quarter that ended September 30, 1955 (first period of the current fiscal year), the company had the largest sales and earnings for any three-month period in its history. Net profit for the quarter increased 25.7% to $614,000, equal to $1.09 a share on 561,160 shares, from $172,000, or 34 cents, on each of the 505,889 shares outstanding, for the three months a year earlier. Sales rose 92.4% to $7,715,000 from $4,010,000 a year before. Earnings before taxes were $1,280,000, in contrast to $357,000 for the September quarter of 1954. Provision for taxes totaled $666,000, while in the year-ago period the tax bill was but $185,000. It is a foregone conclusion that volume for the current year will top the 12 months that ended June 30, amounting to $22,931,000, since the company has orders for shipment well into 1957.

The company has a record of paying some dividend in each year since 1939. A dividend of 25 cents was paid in March and a like amount, plus 2% in stock was disbursed in June. With the September payment, the dividend was increased to 37½ cents. On November 15, directors declared a dividend of 52½ cents, to be paid December 14. Even with the latest increase, payout totals a conservative 50% of net earnings.

American Enka Corp., incorporated in 1928, is a producer of continuous filament rayons by the viscose process. Annual productive capacity is over 107 million pounds of high-tenacity yarn, of which 80% is in tire-yarn. Textile yarn is sold to weaving and knitting trades. Plants are owned at Enka, N. C. and Lowland, Tenn. Two years ago, the company introduced a solution-dyed filament yarn for fabrics under the name "Jetspun." Commercial production of nylon staple fiber under the Nylenka name began in April, 1954, and a new rayon automobile tire yarn under the Suprenka name early this year. The company employs about 4,700 people.

The company had net profit for the 36 weeks ended September 11 of (*Please turn to page* 336)

Progress Report on Depressed Industries: — No. 1

Shipping— Shipbuilding Companies

By H. F. TRAVIS

The size, economic well-being and prospects for continued support of the nation's merchant marine fleet are matters of direct and overriding interest to the shipping lines and shipbuilders. Beyond the companies, however, that have a direct stake in a flourishing merchant marine are the vital interests of the whole nation and the family of American industry, of which they are a part.

The merchant marine, after all, is an instrument of foreign policy—an accepted fact long before the United States came into being—and an arm of the national defense, as three wars in this century have demonstrated. On behalf of American industry—the world's largest exporter and importer—it is unthinkable that it would tolerate primary dependence on foreign flag ships, which have no stake in our industrial development. Indeed, where foreign merchant marines are nationalized, discrimination can be severe. Companies such as Aluminum Co. of America and United States Steel have found it not only a safeguard of their interests but economically advantageous to operate their own fleets.

This Government supports our merchant marine in foreign trade almost exclusively through operating-differential subsidies on specified trade routes and through legal requirements that some part of Government-financed cargoes be carried in U. S. flag ships. The latter support usually is referred to as "cargo preference" for domestic flag ships or, less accurately, as the 50-50 requirement. Construction subsidies also are available on ships built in this country, enabling American ship operators to obtain vessels built in U. S. yards at approximately the same net price as the going price for vessels built in foreign yards. Construction subsidies are therefore subsidies to shipyards in this country, but not to the operators of the merchant fleet

Workings of this subsidy policy were illustrated in October, when the largest merchant ship and replacement program for a private American steamship line was agreed to by Moore-McCormack Lines, Inc. and the Government. It called for an estimated $313 million ship construction program for Mooremac. Under the program, the Federal Maritime Board and Mooremac agreed to a 20-year operating-differential subsidy contract to cover two new cargo-passenger liners to be built for the company and a replacement program that calls for the building of 31 additional new cargo vessels.

The two cargo-passenger ships are to replace to the S. S. Argentine and the S. S. Brazil. Low bidder for the vessels is Ingalls Shipbuilding Corp. at $24,444,000 a ship. The Federal Maritime Board, meeting in Rome, determined the construction-differential subsidy to be applied to the building of the two ships. The price was determined by the board's estimate of the comparative foreign cost, which was set at $14,680,000 per ship, for a total of $29,360,000 for the pair. The board selected the Netherlands as its criteria under its responsibility to determine the low-cost area for the purpose of calculating the foreign cost of the ships. A construction-differential ratio between the U. S. cost and the estimated foreign cost was 39.94%. This was based on the Ingalls bid. Difference between the cost of the ships in a U. S. yard and the foreign cost ($19,528,000 for the two vessels) is borne by the Government. In addition, the amount to be paid

by the Government will be increased by $455,610 for the two ships, which represents the cost of national defense features for the two vessels.

Let us proceed to examine at length the shipbuilding and shipping industries, which are subject to the political vagaries, to the international climate and, of course, to economic conditions. We shall scan first the trend in the fortunes of shipping companies and proceed from there to show their effect on the shipbuilders.

Shipping Looks Up

The earnings decline sustained by shipping lines during the past few years has been brought to a halt this year. Cargo business, the most vital contributor to shipping revenues, is running well above the 1954 level. Through September, this year's exports of merchandise from the U. S., exclusive of military-aid shipments by the Government, totaled $10.4 billion. This was 12% more than during the corresponding months of 1954 and reflects a sharp acceleration in the growth of commercial exports, beginning late last year. Until then, export sales had shown only a slow and partial recovery from their slump in mid-1952.

Our imports also have been rising strongly this year, after dropping in 1954 as a result of the temporary recession in this country. Within a few months after the upturn of domestic economic activity in the Fall of 1954, however, renewed demand for many of the depressed classes of imports became evident. It has continued to expand during 1955 in response to the upsurge of domestic output to new record levels and the resumption of moderate inventory investment by American manufacturing industries. In the first nine months, merchandise imports amounted to $8.3 billion, a rise of about 8% from the corresponding 1954 period

Gains, of course, were not evenly distributed and the progress made by shipping lines depended on the trade routes they plied. Thus, United States Lines Co., giant of the domestic liners which derives the bulk of its revenues from the North Atlantic services, was a major beneficiary of the rise in trade between this country and Europe. The one major regional market in which U. S. export sales fared relatively poorly this year was Latin America. Affected by the slump in U. S. demand for foodstuffs, notably coffee, countries such as Brazil curtailed drastically their purchases of U. S. goods. Mooremac, a leading factor in the South American trade, has felt the impact.

Income Account Reflects Trade

Mooremac, in the quarter ended September 30, had net profit of $1,037,000, or 53 cents a share, against $828,000 or 43 cents a share, in the like 1954 period. However, for the nine months to September 30, net profit was $2,948,000, equal to $1.51 a share, compared with year-age net of $3,217,000, or $1.67 a share, which included $342,000 representing adjustments to accrued subsidy for years prior to 1954. Aside from its vital stake in Latin American trade, Mooremac is a factor in Scandinavian and Baltic trade. With completion of the St. Lawrence Seaway, the company plans to serve ports on the Great Lakes. The company has a long record of uninterrupted earnings and has paid some dividend in each year since 1941. The stock is on a $1.50 annual basis, providing a yield of nearly 8%. The preferred was retired in 1947 and there is no long-term debt. Mooremac should reap large benefits from South American economic growth and the record-size shipbuilding program.

United States Lines, in the nine months to September 30, reported net profit of $5,726,000, or $3.52 a common share, compared with $3,273,000, or $2 a share, in the first nine months of 1954. Net is after providing for estimated subsidy recapture in both years. A noticeable improvement in commercial outbound cargo offerings, particularly in North Atlantic trades, started in November, 1954, and has continued. Its American Pioneer Line operates, via the Panama Canal, with scheduled stops at American gulf points to Australia, New Zealand and numerous ports of the Orient. For cargo vessels as a whole, outbound revenue runs about 2-to-1 over inbound. Passenger revenues have assumed increasing importance to the company, which operates the S. S. United States, largest domestic luxury liner. Total revenue for cargo vessels last year was 67% of the total revenue earned by all vessels in the regular cargo and passenger services of the com-

No. 1 Shipping—Shipbuilding Companies

	1953 Earnings Per Share	1953 Div. Per Share	1954 Earnings Per Share	1954 Div. Per Share	1955 9 Months Earnings Per Share	1955 Indicated Div. Per Share	Price Range 1954-55	Recent Price	Div. Yield
"A" SHIPPING									
American Export Lines	$2.99	$1.50	$ .18	$ .75	$ .24[2]	$ —	20½—11½	18	—
American-Hawaiian Steamship	3.08	3.00	1.74	3.00	2.42	1.50[3]	123½—57	108	1.4%[3]
Grace (W.R.) & Co.	3.17	1.75	3.36	1.75	2.14[2]	2.00	55¼—27¾	46	4.3
Moore-McCormack Lines	2.64	1.50	2.42	1.50	1.52	1.50	21½—12½	20	7.5
U. S. Lines Co.	4.34	1.50	3.17	1.12[4]	3.52	1.50	25¼—13¾	24	6.2
"B" SHIPBUILDING									
American Ship Building	$6.41	$3.00	$5.62	$3.00	$1.32[1]	$3.00	72¼—42½	53	5.6%
Bath Iron Works	3.57	1.50	5.51	2.00	2.88[2]	2.60	72¾—20⅛	50	5.2
Newport News Shipbuilding	6.52	3.00	8.96	4.00	3.19[2]	4.00	78¾—25⅝	52	7.6
Todd Shipyard	1.20	3.50	4.09	4.00	n.a.	4.00	69 —44⅜	61	6.5

n.a.—Not available. [1]—Year ended June 30, 1955. [2]—6 months ended June 30. [3]—Thus far in 1955; div. suspended. [4]—Plus stock.

pany. The ratio of total revenue earned by the cargo fleet to the total revenue of all ship operations has dropped gradually from 84.8% in 1951. Long-term debt of the company is in excess of $35 million and there are outstanding 135,874 shares of 4½% cumulative preferred, $10 par. Payments of 37½ cents at quarterly intervals on the common provide a return of better than 6%.

American Export Lines, Inc. is heavily dependent on the Mediterranean routes for its revenues. A sharp decline last year in exports and imports handled on liner services to and from that part of the world contributed to one of the worst years in the history of American Export. Net profit was a mere $211,000, or 18 cents a common share, against $3,590,000, or $2.99 a share, in 1953. In September, 1954, directors decided to omit the regular quarterly dividend. Previously, the company paid 37½ cents quarterly. For the near term, prospects for anything more than a token dividend are lean, since the company netted but $283,000, or 24 cents a share, in the first half of 1955. This was an improvement, however, over the first half of 1954, when a deficit of $400,000 was incurred.

The situation, generally, for the Mediterranean, Red Sea and India services is better than in 1954 and American Export also stands to benefit from an increase in cargo rates, ranging from 10% to 15%, which took effect early this year. Prospects likewise are good for increased passenger revenues in the year now drawing to a close.

American-Hawaiian Steamship Co., which operates between the Pacific Coast and the Far East, has achieved prominence out of all proportion to its size as a result of a suit against the Government for many millions of dollars for use of its vessels during World War II and a struggle between stockholder groups for control of the company. It also made the news with suspension of dividends (formerly 75 cents quarterly), the sharp swings in the stock (1955 range: 123½ and 62½), plans to re-enter intercoastal trade and a decision to spend $115 million for "roll-on, roll-off" ocean-going ferries. Vessel operations last year resulted in a loss of $1,459,500 and was offset only to the extent of $703,000 by interest and dividend income. Capital gains on sales of securities totaled $2 million. Net profits for first nine months of 1955 were $619,000, or $2.42 a share, but this grew out of sales of securities, since shipping operations incurred a loss of $280,000.

The company's decision to re-enter intercoastal trade caused surprise in shipping circles, for American-flag vessel activity between the Atlantic and Pacific coasts, in domestic commerce, has been sinking steadily through the years. Intercoastal operators must contend with rising Panama Canal tolls, tough competition from overland rail rates and the rise of truck haulage. Rising cost of maritime labor presents another problem, since ships operating in domestic trade under Interstate Commerce Commission certificate must be manned by high-wage American crews. Roll-on, roll-off ships, with which we shall deal subsequently, might overcome a number of these handicaps.

W. R. Grace & Co. and its vast Grace Line fleet will not be dealt with here, since the company was covered at length in the June 11 and September 3 issue of the Magazine. Grace, of course, is more than a shipping line—being a powerful factor in chemicals, manufacturing and trade in South America. It also is in the banking business and airline field.

High Yield and No Yield

From the foregoing, it will be noted that of the four companies cited, Mooremac and U. S. Lines provide unusually high yields. The other two, American Export and American-Hawaiian, pay nothing. American-Hawaiian is in a "special situation" category, having high asset value. Roll-on, roll-off ferries, of course, could alter the prospects for that company, although recent gyrations in the stock would seem to have discounted any benefits that might accrue over the next few years, including resumption of dividend.

Mooremac, U. S. Lines and American Export must be catalogued as speculations, albeit attractive ones. They have not partaken of the stock market upsurge to any appreciable degree and can hardly be described as large risks, especially since the country is committed to maintaining a strong merchant marine. Prolongation of the "cold war" means the continuance of the practice of foreign aid, military and economic. Nearly all of this material must be carried in ships. On the other hand, an opening up of world trade to the extent of including Communist nations in normal trade would bring even larger benefits.

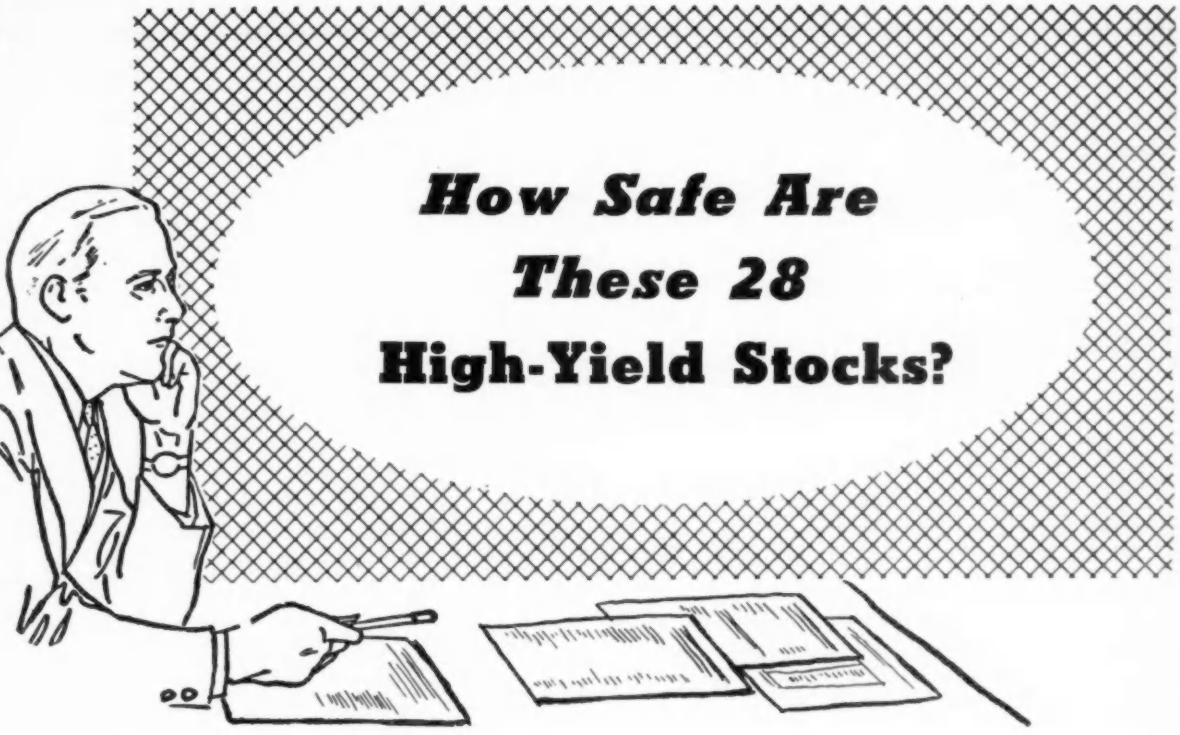
Shipping lines also should benefit substantially from rate increases on ocean-going freight (as high as 15%), made effective this year. Also helpful is the Federal requirement that at least half of all Government-financed cargo must be transported in privately-owned U. S. flag vessels to the extent that they are available at fair and reasonable rates. They are bolstered, too, by operating differential subsidies, although provisions is made for the Government to recapture profits in excess of 10% of capital "necessarily employed" in the business. Recapture may be at the end of each 10-year period under a subsidy contract.

Major problems of the shippers are the rise in foreign competition, especially from countries only now emerging from colonialism which are acquiring merchant fleets, and waterfront labor, ruled in cities such as New York by criminals. Periodic strikes have paralyzed operations from time to time and proven costly to shippers.

High Peak and Deep Valley

From the hectic heights of wartime, the shipyards of this nation have dwindled to scarcely enough work to keep them alive. Considerable segments of the shipbuilding and ship-repair industries have not survived and all parts of the industries have felt severe recessions and reductions. The peaks and valleys that characterize the business prompted the United States Steel Corp. to sell off its shipyards to the Navy in 1948 for $2,375,000.

The spurt in our shipyards, generated several years ago by the widespread demand for tanker tonnage (privately financed) and Government requirements for high-speed (*Please turn to page* 337)



How Safe Are These 28 High-Yield Stocks?

By J. C. CLIFFORD

In a market enjoying a prolonged rise, investors with any experience worthy of the name are commonly inclined to look with suspicion on stocks that offer an income yield far in excess of what is considered a reasonable average for the groups to which they belong. Generally, such a disparity in yield is accepted as a signal that something may be wrong in the picture. Otherwise, why should stocks obtainable on a high-yield basis be so freely available at such super-bargain prices?

This is sound reasoning. Unfortunately, investors with little or no experience are often lured into the purchase of securities at prices that command exceptionally high yields without understanding that the element of risk increases with the size of the yield. The reason for this is not difficult to fathom. The standard of stock value which is most in use is based on an evaluation of the dependability of earnings and dividends. While allowances must necessarily be made for the unavoidable fluctuations in earnings, common to all companies, the solidity of the basic dividend rate must first be assured. Otherwise, a lower market valuation will be given to the stock, with the yield automatically rising higher as the dividend becomes less secure. In these circumstances, earnings coverage for the dividend obviously is the determining factor. In the instance of stocks with inordinately high yields, particularly, dividend coverage commonly will be found inadequate and the higher the yield the more inadequate the protection of the dividends through the earnings margin.

While this is basically the root cause of high yields, it is not the only one. In some instances, stocks continue to offer high yields though earnings protection may be reasonable adequate. The reason in these cases is that there may be very little public interest in the shares, either due to a small capitalization or because the stock may not possess dynamic investment appeal. Also, some stocks continue to sell at prices offering high yields because, while their dividend coverage at the moment may be satisfactory, their past record is one of extreme volatility in earnings.

As is true of stocks in more favorably situated categories, stocks whose yields are very large, should be judged on the basis of their individual position and prospects. This is all the more important in the case of speculative high-yield issues where the element of risk is automatically increased. On the other hand, opportunities for appreciation on a speculative basis may be found in this group, precisely because of their low market levels at the moment. It need not be emphasized, of course, that purchase of issues in this category should be done with full knowledge of their speculative character.

In the tables which accompany this presentation, we submit relevant statistical data on earnings, dividends, price range and yield. The stocks are arranged by yield, from 7% to 10%. Individual comments accompany the tabulation, highlighting the dividend position and prospects for each company. These comments are necessarily brief in view of space limitations.

These surveys are intended primarily for the use of present investors in the securities covered who desire information on the dividend outlook for these companies. In general, where the dividend outlook is quite uncertain or obscure, the investor could improve his position by making replacements from issues recommended elsewhere in this or recent issues of the Magazine. —END.

Stocks Yielding 7—10%

	1953		1954		1955				
	Earned Per Share	Div. Per Share	Earned Per Share	Div. Per Share	9 Months Earnings Per Share	Indicated Div. Per Share	Price Range 1954-55	Recent Price	Div. Yield
Fajardo Sugar	$ .61	$2.00	$1.24	$1.12½	$ .58[4]	$1.00	18½—13¾	14	7.0%
Froedtert Corp.	1.34	.75	1.47	.85	1.41[4]	1.00	16⅝—11	14	7.0
National Linen Service	1.11	.60[1]	1.44	.80	1.42[6]	.80	14 — 8½	11	7.0
Reeves Bros.	1.31	1.20	1.01	1.05	.10[5]	1.00	18⅝—12⅛	14	7.0
Twin Coach	1.42	.50	2.73	.60[1]	d .35	.70	18⅜— 6¾	10	7.0
Waldorf System	1.10	1.00	.77	1.00	.63	1.00	14⅞—11⅜	14	7.0
Continental Motors	1.83	.80	1.38	.80	.54	.65	14⅝— 7¾	9	7.2
National City Lines	2.35	1.50	2.76	1.60	2.02	1.60	26⅝—15⅝	22	7.2
Penn-Texas Corp.	.71	[2]	.79	.25[1]	.62[7]	1.30	22⅞—11⅛	18	7.2
Wayne Knitting Mills	3.07	2.00	3.01	2.00	1.13	1.60	30 —19⅛	22	7.2
Conde Nast Publications	.76	.60	.82	.60	.73	.60	8⅞— 6	8	7.5
Mojud Co.	2.09	1.20	1.72	1.20	.81	1.20	18¼—13	16	7.5
Buffalo Forge	2.84	2.00	2.82	2.00	1.48	2.00	30½—25½	26	7.6
Mullins Mfg.	2.44	1.60	1.49	1.60	1.05	1.60	28¾—17¾	21	7.6

Fajardo Sugar: Lower sugar prices and higher costs have offset operating economies but total volume of sales in 1956 fiscal year expected to exceed 1955. Constructive sugar legislation would help. Dividend, though presently not earned, could be maintained for a while longer.

Froedtert Corp.: Improving margin of earnings for this largest barley malt producer should help to maintain dividend at current rate.

Nat'l Linen Service Corp.: Specializes in linen service business, located in ten Southern States and in the area of San Francisco. Has shown fair dividend coverage in recent years and current rate seems within capability of company.

Reeves Bros.: An integrated textile company, with plants located in the South. Sharp downturn in earnings, leading in deficit, places dividend in highly uncertain position, barring an early upturn in company's business.

Twin Coach Co.: Earnings in first half of 1955 adversely affected by strike, leading to deficit. While financial structure improved through $5 million V-loan, current dividend seems insecure.

Waldorf System: Dividend seems excessive in view of limited earning power demonstrated for a number of years. Business highly competitive and large funds required for more promising locations and to modernize existing establishments.

Nat'l City Lines, Inc.: Holding company, owning total capital stock of transit systems over far-flung area, and including majority interest in Los Angeles transportation system. Company has been trying to sell interests in some cities to municipalities. Present dividend seems somewhat excessive in view of moderate earnings coverage.

Penn-Texas Corp.: Starting with a core of coal properties, this concern is in a process of integrating properties in various industries acquired in recent years. Integration will probably take several years before important earning power can be established. Dividend on new 35-cent quarterly basis seems high in respect to current earnings.

Wayne Knitting Mills: Comparatively stable earnings record for this women's hosiery manufacturer in recent years marred by sharp drop in second quarter of 1955. Indicated dividend this year lower than last but can be continued for a while in view of strong finances.

Conde Nast Publications: Higher printing, labor and paper costs have been responsible for company's failure to make earnings progress in a highly competitive field. Dividend cannot be regarded as secure in view of slim earnings coverage.

Mojud Co.: This maker of women's hosiery and lingerie has suffered a series of declines in sales, operating and net income in recent years. Dividend coverage has been narrowing and the present rate of payments cannot be regarded as secure.

Buffalo Forge Co.: Manufacturer of air-conditioning and filtering equipment and miscellaneous small tools etc. has not held its post-war sales gain and dividend coverage has been narrowing. In view of satisfactory financial position, however, present rate could be continued for a while pending full earnings recovery.

Mullins Mfg.: While company has been aggressively strengthening its position in kitchen equipment field, earnings have been declining with result that dividend is being barely covered, rendering outlook somewhat uncertain.

d—Deficit.
1—Plus stock.
2—Paid 10% stock.
3—After funds.
4—Year ended July 31, 1955.
5—Year ended June 30, 1955.
6—Year ended August 31, 1955.
7—6 months ended June 30.
8—28 weeks ended Sept. 10.
9—Before funds.

Stocks Yielding 7—10%—(Continued)

	1953 Earned Per Share	1953 Div. Per Share	1954 Earned Per Share	1954 Div. Per Share	1955 9 Months Earnings Per Share	1955 Indicated Div. Per Share	Price Range 1954-55	Recent Price	Div. Yield
Standard Coil Products	$2.02	$1.00	$1.70	$1.00	[d]$ .21	$ .85	20¼—10¼	11	7.7%
Howard Stores Corp.	2.34	1.50	1.84	1.50	[d] .06[7]	1.50	22⅜—15¼	19	7.8
Hudson Bay Mining & Smelt.	4.24	4.00	4.75	4.00	5.26	5.00	71⅜—38¾	64	7.8
Central Aguirre Sugar	2.60	1.60	1.65	1.60	1.21[4]	1.60	22 —18	20	8.0
Savage Arms	1.74	1.00[1]	1.02	1.00	.85	1.00	14¾—11	12	8.0
Elgin National Watch	.10	.60[1]	1.71	.60	.29[8]	1.30	22⅛—11⅜	16	8.1
Holland Furnace	1.05	1.00	1.04	1.00	.60	1.00	18¼—10⅞	12	8.2
Lionel Corp.	2.60	1.25	1.81	1.25	.98	1.45	25 —16⅜	17	8.3
Butte Copper & Zinc	1.25	1.00	.07	.25	.68	.85	12⅝— 7⅜	10	8.4
Natomas Co.	.03	.30	.13	.60	[d] .004	.60	10⅜— 4¼	7	8.5
United Industrial Corp.	.63	.60	.11	.40	.18[5]	.60	8¾— 4⅝	7	8.5
Ruppert (Jacob)	1.43	.25	1.67	.75	.90	1.00	16¾—11	11	9.0
Chicago, Milw., St. P. & Pac.	1.73[3]	1.00	1.67[3]	1.00	1.95[9]	2.50	29⅝—10	26	9.6
Twin City Rapid Transit	.22	.80	[d] .13	1.60	[d] .51	1.60	20⅛—13¾	15	10.0

Standard Coil Products: Important maker of TV tuners and miscellaneous electronic equipment for military aircraft. Deficit operations for the first nine months this year would seem to place current dividend in question but financial position of company strong enough to maintain rate temporarily.

Howard Stores Corp.: Manufacturer men's clothing, retailed through own stores has suffered deterioration in earnings in recent years. Dividend would seem in precarious condition unless early improvement in earnings materializes.

Hudson Bay Mining & Smelt.: Important Canadian producer of copper and zinc benefitting from high copper prices. Earnings this year well above dividend requirements and current payments should be continued.

Central Aguirre Sugar: While earnings for the fiscal year ended July 31, 1955 have been under dividend requirements, improvement is looked for in the current fiscal year. As with Fajardo, company would benefit if U.S. sugar laws were amended to favor Puerto Rican and domestic beet sugar producers.

Savage Arms: Company in past two years has had difficulty in maintaining adequate coverage for dividends. Narrowing margin would indicate that current rate of payments cannot be continued indefinitely.

Elgin Nat'l Watch Co.: Largest U.S. manufacturer of watches; also miscellaneous personal objects such as cigarette cases etc. Dividend increased but earnings this year for the 28 weeks ended Sept. 30 have been in a slump. Present rate seems difficult to justify on the basis of actual coverage for dividend.

Holland Furnace: Sharp downtrend in earnings would normally place continuation of current dividend rate in question, but company's strong financial position would permit further payments.

Lionel Corp.: Largest maker of mechanical toys has not maintained early post-war sales and earnings growth. While earnings are lower, dividend has been increased in recognition of strong cash position but indefinite continuance of higher rate seems problematical unless earnings improve substantially.

Butte Copper & Zinc: Highly erratic earnings record, accompanied by sharp changes in dividend payments. Present dividend outlook uncertain.

Natomas Co.: Highly speculative mining situation with best chance consisting of the remote possibility of a rise in the price of gold. Dividend being paid out of capital and prospects for continuance doubtful.

United Industrial Corp.: Formerly named Hayes Manufacturing Co., this concern is linked up with the automotive industry as a supplier of miscellaneous steel products. Earnings coverage has been small and the dividend outlook uncertain.

Ruppert (Jacob): Aggressive promotion has kept this beer maker in the forefront and earnings in recent years have shown a moderate upward trend. This has provided the basis for increased dividends but highly competitive nature of business and necessity for providing heavy promotional expenes makes continuation of higher rate uncertain.

Chic. Milwaukee & St. Paul: Payment of the $2.50 a share dividend on the common was made possible by $11.5 million (including interest) tax refund. In 1954, paid $1 a share which more nearly corresponds with dividend realities.

Twin City Rapid Transit: Series of deficits places dividend in quite a doubtful position.

[d]—**Deficit.**
[1]—**Plus stock.**
[2]—**Paid 10% stock.**
[3]—**After funds.**
[4]—**Year ended July 31, 1955.**
[5]—**Year ended June 30, 1955.**
[6]—**Year ended August 31, 1955.**
[7]—**6 months ended June 30.**
[8]—**28 weeks ended Sept. 10.**
[9]—**Before funds.**

A Comparative Analysis —

TWO LEADING BISCUIT COMPANIES

By GEORGE W. MATHIS

Two oldsters in the cracker and cookie business were too busy this year to take time out to celebrate birthdays. National Biscuit Company, although it took note of its 58th year, and Sunshine Biscuits, Inc., gave passing notice to its 53rd year, were fully occupied with carrying out current modernization and expansion plans and outlining new ones so as to be able to serve an expanding market for their varied products.

These are covered by broad programs, including modernization and construction of new bakeries, developing new and improved biscuit, cracker and related products, and stepping up research in advanced baking techniques and improve quality and lower products prices. Along with these activities, Nabisco and Sunshine, the two foremost names in the industry (the former has about 40% of the total biscuit and cracker market) are strengthening sales and marketing organization to meet competition and to participate in the growth of markets reflecting a steady expansion of population.

Both Nabisco and Sunshine have been spending millions of dollars, especially in the postwar years, to carry out their modernization and expansion programs. They have been doing this without resorting to banks or other lending institutions for loans, or going to investors with offerings of bonds or stocks. Every dollar of expenditure for plant and equipment has come from their own accumulated funds representing, in part, retained earnings from year to year, and money originating in internal sources. Their ability to lay claim to such an achievement is because both companies have followed a firm policy of retaining a portion of each year's net earnings for reinvestment in the business, at the same time maintaining uninterrupted dividend payments on the common stocks.

Dividend Record

Nabisco has paid dividends in each of the last 57 years, with one exception, in 1922 when in lieu of cash, Nabisco paid a 75% stock dividend to its common shareowners.

Sunshine has paid dividends in every one of the last 28 years. Throughout all this time, cash payments never fell below $1 a share. That was in 1939 and again in 1940, but even in those two years, Sunshine retained a portion of earnings fo reinvesting in plants, equipment and tools of production. As earnings increased in 1941, Sunshine raised its dividend to $1.25 a share, this rate subsequently being gradually boosted to $4.00 a share in 1950 on the shares that had been split two-for-1 in 1946. This rate of dividend has since been maintained.

Because of its policy of saving some "seed corn", as President Hanford Main puts it, Sunshine came to the end of World War II without any long-term debt, no bonds and no preferred stock. Since then, as sales and earnings have grown, the company has put a greater amount of retained earnings back into the business with the result that its plant and equipment are now considered to be among the most modern in the industry. Within the last seven years, or from 1948 to the close of 1954, a total of more than $23.6 million of retained earnings has been reinvested to provide additional warehouses, built to Sunshine's specifications, throughout the U. S., new bakeries, machinery and equipment, designed for efficient, low-cost operation. Major additions in the postwar years have been the expansion of its flour mills; a new bakery at Columbus, Ga., a strategic location to serve its existing and potential business in the growing Southeast; other huge plants at Oakland, Calif., Dayton, Ohio, and Kansas City, Kans., the latter regarded as one of the finest bakery and

candy plants, embodying the most scientific and sanitary production, packaging and shipping facilities.

Nabisco, moving along the same path, has spent \$119.8 million for plants and equipment in the decade ending with 1954. In those years, total net income amounted to \$190.5 million, out of which after paying dividends of \$7 a share on the outstanding 248,045 shares of preferred, and after a total of \$116.1 million paid in dividends on the common, \$54.7 million was retained to be put back into the business. To this latter sum, Nabisco added \$62.4 million for modernization and expansion of facilities, all of which came from internal sources with the exception of \$4 million borrowed in Canada by Christie, Brown & Co., Ltd., Nabisco's Canadian subsidiary. This loan was made to provide funds to meet the need in that country for new plants and modernization of older plants to keep pace with the extensive growth of operations there. These notes, bearing 4% interest, are repayable begining in 1955 in equal amounts annually.

Among the many highlights in Nabisco's modernization and expansion program has been the construction of its new Chicago bakery that began operating in late 1952, with 12 band ovens and the most modern machinery and bulk-handling equipment, and a new Philadelphia, Pa., bakery, scheduled to go into operation early in 1956 with seven band ovens, this latter plant accounting for the greater part of 1954 capital expenditures of approximately \$15.2 million. Nabisco has already started construction on another new bakery, this one of about 500,000 square feet to be located at Fair Lawn, N. J., which is expected to be ready for operation in 1957, with eight band ovens and room for a ninth.

Nabisco's Program

Nabisco's capital expenditures in 1955 will probably come close to \$20 million. Included in the program is completion of the Philadelphia bakery; an addition to the new Chicago plant for the production of pretzel varieties to meet an increasing demand for these products; bulk-flour storage bins at the Toledo flour mill, and the start of a new bakery in Montreal, Canada, by its Canadian subsidiary, all to be financed, according to expectations, from funds retained in the business.

At the same time, Nabisco is extending its interests abroad. At Napanee, Ontario, the Canadian Shredded Wheat Co., Ltd., which added other cereals to its line two years ago, purchased early last year the Ross-Miller Biscuit Co., producer of baked and meal type pet foods, through which Nabisco's "Milk-Bone" dog biscuit has been introduced to the Canadian market. Subsidiaries in England, Mexico, and Venezuela are also introducing new products in their respective territories while in Italy, Nabisco has entered into an agreement with Motta S. P. A., of Milan to produce certain of Nabisco's biscuit and cracker items for sale in Europe, the Mediterranean area and the Near East.

At home, the company is also reaching out into other fields, thus strengthening its future position by further diversifying its line of food products. Outstanding in this respect is Nabisco's acquisition last year of The Hills Brothers Co., in exchange for 96,513 shares of common stock. This is a well established company whose products marketed under the popular "Dromedary" trade-mark, include cake mixes, dates, pimientos, and glace fruits. Another acquisition last year was Ranger Joe, Inc., producers of pre-sweetened cereals which was soon after followed by Schooley & Son, producers of dog meal. This latter will be a natural addition to Nabisco's "Milk-Bone" dog biscuits and its "Pal" kibbled biscuit.

In line with these developments, Nabisco has already set up a "Special Products Division" to handle products which, unlike biscuits and crackers, can be warehoused and distributed at lower costs. An additional advantage seen for the "SPD" is that while it handles Nabisco Shredded Wheat, Bran, Dog Foods, and the Ranger Joe cereals, it will also serve as a vehicle for handling other products that do not require store-door distribution.

All these developments in both National Biscuit and Sunshine Biscuits are evidence of managements' forward look to broadening markets as living standards rise and population increases. Coupled with physical developments such as modern flour mills, bakeries and equipment, is the constant effort to achieve new innovations in products and increase operating efficiency. Along with these efforts, both companies have adopted aggressive selling and merchandising campaigns. For example, dollar advertising expenditures of Nabisco and its subsidiaries have increased each year over the last decade, reaching a total of \$12.7 million in 1954. The 1955 figure perhaps ran considerably higher, especialy in view of the announcement that it expected to spend more than \$5 million for promotion and advertising of (*Please turn to page* 340)

Statistical Comparison

NATIONAL BISCUIT COMPANY

CAPITALIZATION:*	
Long Term Debt (Mil.)	\$ 3.0
Preferred Stock (Mil.)	24.8
Common Stock (No. of Shares)	6,386,000
Total Surplus (Mil.)	\$ 56.9
Working Capital (Mil.)	\$ 53.8
Book Value (Per Share)	\$ 22.17

	Net Sales (Millions)	Earnings Per Share	Div. Per Share
1946	\$220.1	\$2.45	\$1.20
1947	263.8	3.37	1.50
1948	296.2	3.11	2.00
1949	294.4	3.17	2.00
1950	296.4	3.08	2.30
1951	329.9	2.30	2.00
1952	346.5	2.56	2.00
1953	359.0	2.61	2.00
1954	376.3	2.85	2.00
1955 (9 mos. Sept. 30)	287.9	1.84	2.00†

Price Range 1954-55	45⅞-36¼
Recent Price	39
Indicated Dividend	\$2.00
Indicated Yield	5.1%

* Bal. sheet items as of Dec. 31, 1954.
† Indicated full year 1955 dividend.

SUNSHINE BISCUITS

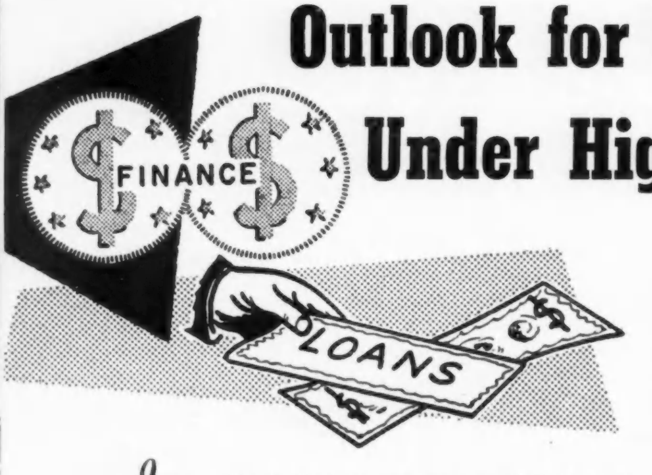
CAPITALIZATION:**	
Long Term Debt	None
Preferred Stock	None
Common Stock (No. of Shares)	1,021,000
Total Surplus (Mil.)	\$ 34.7
Working Capital (Mil.)	\$ 27.1
Book Value (Per Share)	\$ 46.54

	Net Sales (Millions)	Earnings Per Share	Div. Per Share
1946	\$ 76.3	\$6.23	\$3.00
1947	94.1	6.02	3.00
1948	102.6	6.78	3.00
1949	100.9	7.67	3.75
1950	101.0	7.24	4.00
1951	119.0	6.06	4.00
1952	113.4	5.71	4.00
1953	120.3	5.89	4.00
1954	119.2	5.88	4.00
1955 (9 mos. Sept. 30)	n.a.	4.41	4.00†

Price Range 1954-55	87½-71¾
Recent Price	80
Indicated Dividend	\$4.00
Indicated Yield	5.0%

** Bal. sheet items as of Dec, 31, 1954.
n.a. Not available.
† Indicated full year 1955 dividend.

Outlook for Finance Companies Under Higher Money Rates



By W. A. HODGES

It is evident that consumer credit this year, reflecting an economy that has been rolling along at high-speed, will establish new record highs. At the close of last September, the most recent month for which figures are available, instalment credit went up $544 million, bringing the amount of instalment paper outstanding at Sept. 30, to an all-time peak of $26.7 billion. A breakdown of this total shows $13.9 billion in automobile paper, $5.8 billion in other consumer goods paper, $1.6 billion in repair and modernization loans, and $5.3 billion in personal loans.

Since 1946, the first full peace year following the end of World War II, total instalment credit outstanding has expanded from $4.2 billion with the increase in each subsequent year giving rise to renewed comments as to whether the expansion has carried instalment debt too high, and too fast.

There is no reliable gauge by which to determine whether the ratio of debt has advanced faster than income. When weighing the current ratio with that of past years, consideration will have to be given to the condition of the economy at the time. For instance, at the end of 1929, when the nation was entering the most prolonged depression in its history, the ratio of all instalment debt to total disposable personal income was approximately 3.8%. In 1941, instalment debt had risen to about $6.5 billion, equal to about 7% of each dollar of disposable income which compares with about 9.75% of disposable personal income in the 1955 third quarter.

Those making up this group of borrowers have been increasing in number and expanding the nation's buying power for automobiles and other consumer durable goods, such as television sets, refrigerators, washing machines, clothes dryers, dish washers, and other household equipment some of which was not available 15 or even 10 years ago. In 1946 there were 14.8 million families in the U. S. with incomes of $3,000 or more. Since then, this number has grown to about 35 million, and, provided the economy remains at the current level, it is estimated 2 million more families with increased purchasing power will be added, swelling the total to 37 million "spending units" in the coming year, presaging a continued rise in the volume of instalment credit.

This provides a bright 1956 outlook for financial institutions operating in the consumer credit field which, despite expressions of concern by some who see the current high volume of instalment credit but fail to weigh it in relation to the total disposable personal income, remains in a healthy condition. Admittedly, there had been some loosening of terms on instalment credit in late 1954 and early 1955, particularly in automobile paper where car purchases were financed by too low down payments, and in some case, no down payment at all, and too long maturities. This sort of financing, no doubt, was only a small part of the total but both Government and private financial authorities have warned against such deterioration in the quality of credit. There has been some tightening lately of credit-granting terms with leaders in the instalment credit field emphasizing the need for high standards of checking and a sensible qualitative control of credit. At the same time, contrary to some beliefs, last month's increase by the Federal Reserve in the discount rate was not aimed particularly at restraining borrowings for use in the instalment credit business, but as a restraint on credit in general. As the First National City Bank of New York says: "The Federal Reserve authorities have in force an effective restraint on credit supply—a degree of restraint they consider adequate in the situation. While the discount rate and some other short-term rates are higher than in 1953, the conditions in the market are not at all comparable." The principal objective is to maintain a system that can respond to seasonal and cyclical changes in credit demand, and in applying the brakes, when advisable, without preventing the credit wheels from turning altogether. In some circles it is believed that the most recent increase in the discount rate it only temporary, being made effective at a time when there is seasonally increasing needs of the money market for funds. Whether an easing in demand after the first of the new year will be sufficient reason to lower the discount rate back to $2\frac{1}{4}\%$ is open to question, but it appears fairly certain that unless there should develop excessive borrowing and an inflationary boost in prices, financial institutions, borrowing to meet instalment credit financing needs, will be able to fill their requirements at a net cost no higher than in the years prior to 1954 in which they were able to show satisfactory net earnings.

C. I. T. Financial Corp., President Arthur O. Dietz recently stated that so far this year his company has paid an average interest rate of 2.63% per annum for its money. While saying the cost would rise in the closing weeks of 1955 and the first few months of 1956, he expressed the belief that by early spring C.I.T.'s commercial paper rates and perhaps the prime rate may come down somewhat. Meanwhile, following the recent increases in money

costs, Universal C.I.T. Credit Corp., the company's auto-financing subsidiary, has "adjusted" rates to dealers on a selective basis, a procedure probably followed by other sales finance companies.

It is evident from first nine months' consolidated earnings from operations net profit in 1955, for the fourth consecutive year, will establish a new record high. For the 9 months to Sept. 30, net profit from operations totaled in excess of $27.6 million, equal to $3.03 per capital share. This compares with $2.85 a share earned in the like period of last year, and indicating 1955 net close to $4 a share, as against 1954 earnings of $3.85 and $3.62 a share in 1953.

Dividends on the stock were again increased this year, quarterly payment in the final three months being raised from 50 to 60 cents, with an extra of 25 cents bringing the total payout to $2.35 a share, up from $2.25 last year, and continuing uninterrupted cash dividends over the past 31 years. The stock, currently selling around 47, on the basis of 1955 dividend, including the extra, yields 5%, a liberal return considering the stock's investment status and its gradual growth potentials.

Commercial Credit Corp., the second largest publicly-owned sales finance company, also appears headed for new record highs this year. During the first nine months the volume of receivables acquired by its finance subsidiaries totaled $2.714 billion, an increase of $924 million over the Sept. 30, 1954 volume. Net income of these subsidiaries in the first nine months of 1955, amounted to $11.8 million, to which is added $4.6 million in net income of Commercial Credit's insurance companies, and $2.9 million net income of its manufacturing companies, bringing total net income for the period to more than $19.5 million, the highest for any similar period in the company's history. This was equal to $3.90 per share of capital stock compared with $3.61 a year ago.

With net earnings for the full year of 1955 estimated at $5.25 a share, it is obvious that quarterly dividends, raised from 65 to 70 cents with the declaration for the 1955 final quarter, continue to be a conservative payout. At its present price around 51 the stock on a $2.80 annual dividend basis, yields 5.4%, an attractive return for an issue of this caliber.

Associates Investment Co., appears to have the distinction of being one of fastest growing major automobile and commercial finance companies. Substantiating this is the record first nine months' volume of finance business of $1.170 billion, an increase of 49.2% over the volume in the like months of last year. This again reflects, in part, Associates' expansion into Canada early this year to finance automobile purchases, making personal loans, and through Emmco Insurance Co., a wholly-owned affiliate, licensed in 34 states, the District of Columbia, and Canada, offering Canadian instalment purchasers comprehensive, fire theft and collision insurance.

Another affiliate, Alinco Life Insurance Co., formed in 1953, writes credit, life and health, and accident insurance for retail instalment buyers. As of last Sept. 30, Associates had a backlog of unearned discount and insurance premiums amounting to more than $79.7 million, up more than $20 million from a year ago. Consolidated net earnings of the company for the first nine months of 1955 totaled $13.5 million which, after preferred dividends, was equal to $4.20 a share for the common stock, compared with $3.81 for the first nine months of 1954, and with $4.85 a share for all of that year.

Dividends on the common stock were increased in the final 1954 quarter from 45 to 50 cents quarterly, and with declaration of payment in the final quarter of this year were again increased to 60 cents, making current annual rate $2.40 a share. At present price of 59 the stock, on the basis of the higher dividend payment, yields approximately 4%, a lower return than that from the shares of either of the two leaders in the sales finance field, but which reflects the more immediate appreciation possibilities of the stock marketwise because of Associates rapid growth.

SMALL LOAN COMPANIES

Although some companies that fall into this category also engage in the financing of consumer purchases of furniture, electric appliances or other merchandise or services, (*Please turn to page* 339)

Statistical Data on Leading Finance Companies

	1953		1954		1955				
	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	9 Months Earnings Per Share	Indicated Div. Per Share	Price Range 1954-55	Recent Price	Indicated Dividend Yield
American Investment Co. (Ill.)	$2.29	$1.60	$2.36	$1.60	$1.95	$1.70	38¼—23⅛	36	4.7%
Associates Investment Co.	4.19	1.20	4.85	1.80	4.20	2.00	69 —31⅛	60	3.3
Beneficial Finance Co.	1.45	.96	1.55	.96	1.29	1.00	23¼—15⅜	20	5.0
C. I. T. Financial Corp.	3.62	1.80	3.85	2.25	3.03	2.45	50⅜—28⅝	48	4.8
Commercial Credit Co.	5.21	2.40	4.86	2.60	3.90	2.65	57¾—34⅝	52	5.1
Family Finance Corp.	1.90	1.40	2.01	1.40	.57[2]	1.42½	25⅝—17¼	24	5.9
General Acceptance Corp.	1.11	1.00	1.20	1.00	.94	1.00	17⅞—10⅝	15	6.6
General Finance Corp.	1.44	.60	1.62	.65	1.60	.75	19½— 9¾	18	4.1
Household Finance Corp.	2.14	1.20[1]	2.30	1.20[1]	1.75	1.20	34 —22	28	4.2
Pacific Finance Corp. (Calif.)	3.67	2.00	3.40	2.00	3.32	2.00	44¼—28¾	40	5.0
Seaboard Finance Co.	2.14	1.80	2.12	1.80	1.70	1.80	35¼—24	34	5.3

1—Plus stock. 2—Quarter ended Sept. 30.

FOR

PROFIT

AND

INCOME

Stock Groups

At this writing, stock groups showing above-average strength include aircrafts, coal mining, chemicals, department stores, drugs, machinery, oils, mail order issues, paper, tires, rail equipment, steel and tobacco.

Strong

Individual stocks which are performing materially better than the general market at this time include: Armco Steel, Bayuk Cigar, Caterpillar Tractor, Ex-Cell-O, Champion Paper, Clark Equipment, Container Corp., Curtiss Wright, Dresser Industries, Great Northern Paper, Halliburton Oil Well Cementing, Harbison Walker, Hercules Powder, Lehigh Portland Cement, Masonite, National Tea, Otis Elevator, Phillips Petroleum, Safeway Stores, Schering, Public Service of Colorado, Southern Natural Gas, United Aircraft, Warren Foundry and Woodward Iron.

Soft

Some "soft sisters" in recent and current trading are Belding Heminway, Celanese, Columbia Pictures, Hires, Kroehler, Kress, Master Electric, Goebel Brewing, Pfeiffer Brewing, Sunshine Mining, Buffalo Forge, General Time and Savage Arms.

Television

In our view, sales and profit prospects for makers of television sets are so-so. Present sales are concentrated largely in lower-priced, low-profit sets. With some potential buyers waiting to have at least a look at color sets, it seems unlikely that 1956 sales will exceed this year's. They might be lower. Color sets will have to come down importantly in price before there will be a demand sufficient to support mass production. Hence, the time when makers of color TV sets will move from losses thereon to a break-even basis and then to profits is conjectural. So is the level of ultimate profits, as compared with present profits. The outlook is more clear-cut and promising for the television broadcasters. They are getting an increasing portion of the total advertising dollar. Telecast advertising may amount to around 13% of total 1955 advertising outlays, against roughly 10% in 1954. The ratio will no doubt be higher in 1956. This year's telecast advertising probably will be some 30% above last year's in dollar total. It may gain as much, if not more, in 1956. The leaders are, of course, Columbia Broadcasting, the National Broadcasting, subsidiary of Radio Corporation of America, and the ABC division of American Broadcasting-Paramount. Radio Corp. is much more dependent on manufacturing activities than is CBS. Between these two, our preference would be for the stock of CBS, now around 24 on estimated 1955 earnings around $1.75 a share, over RCA, now at 47 on estimated 1955 net of perhaps $2.85 to $2.95 a share. In terms of profitable utilization of evening-show time, ABC has the most slack to take up. ABC-Paramount net this year may be somewhere between $1.75 and $1.90 a share, against 1954's $1.06. That might be doubled or tripled within a couple of years or so. The stock is around 27, against earlier 1955 high of 33½. We remain of the opinion that it is currently the best speculation in the TV field.

Ford Stock Offering

The public offering of reclassified shares of Ford Motor Company, representing less than a

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Anderson-Prichard Oil	Quar. Sept. 30	$1.60	$ .90
Eaton Manufacturing Co.	9 mos. Sept. 30	5.18	3.52
McKesson & Robbins	Quar. Sept. 30	.97	.70
American Viscose	Quar. Sept. 30	1.45	.59
Armco Steel Corp.	Quar. Sept. 30	1.63	.98
Carpenter Steel	Quar. Sept. 30	2.61	1.03
Fruehauf Trailer Co.	Quar. Sept. 30	1.01	.71
White Motor	Quar. Sept. 30	1.57	1.12
Crane Co.	Quar. Sept. 30	1.14	.95
DuPont (E.I.) de Nemours	Quar. Sept. 30	2.26	1.52

fifth of the holdings of the Ford Foundation, is expected around the middle of January. It is expected to total about 6,952,000 shares, at a guess-estimated price roughly 10 times guess-estimated 1955 earnings at over $6 a share and under $7. Rarely, if ever, has the offer of any great American corporation to "let the public in" attracted so much interest. Trying to make sure of getting some of the stock, numerous people placed orders with brokers on a "when, as and if" basis when the offering was still merely in the rumor stage. The issue will be largely over-subscribed. Probably no buyer will get more than an odd lot, since the company is interested in broad ownership of the shares. After the stock is offered, you can buy all you want of it in the market—at a price. But whether it makes sense to reach for it is something else again. At 50, General Motors, by far the best stock in the industry, is priced around 11.5 times 1955 earnings. It has sold below 10 times earnings within each of the last 10 years, and much below 10 times earnings in some years. Chrysler is now selling around 8 times 1955 earnings. It has sold at much lower ratios in a number of past years. Neither issue now looks attractive for new buying. In fact, some profit taking makes sense, because 1956 profits probably will be somewhat under this year's. Does that make Ford stock a bargain? The "Tin Lizzie" once had 60% of the car market. This had fallen to 18.8% by 1948. The present alert management brought it up to 30.8% last year, but it will be around 27% this year, reflecting Chrysler's competitive comeback. The latter slipped from 25.7% of the market in 1948 to 12.9% in 1954, and figures to be back to around 17% or a little more this year. With slightly over 50% of the market, General Motors just goes "rolling along", varying little from year to year while others shift in competitive position.

Also Rans

If GM and Chrysler are no bargains at present prices, what can be said for stocks of the remaining three independent companies which are having a rough time merely to stay in business? Studebaker-Packard had a loss of $28.9 million in the first nine months of this year, or nearly $4.50 a share. This is in the boomiest year the automobile industry ever had. The stock is down from 1955 high of 15⅜ to 10, and still over-priced unless one is willing to bet that the company's 1956 models will give it a miraculous competitive recovery. For nine months of its fiscal year, through June, American Motors (the Hudson-Nash combine) had a loss of 80 cents a share. The stock is at 9, against 1955 high of 13⅜. Again, a miracle is needed. Kaiser Motors (the Kaiser-Frazer and Willys-Overland combination) earned 30 cents a share in 6 months to June 30, against a defiicit a year ago. It may be slightly in the black for the full year, against a 1954 loss of $5.36 a share. Concentrating on civilian and military jeeps and utility vehicles, the company is no longer directly competitive with the others for passenger car business. The stock, at 3¾ in a 1955 range of 5—2⅜, is higher than it seems to be.

Rails

As this is written, the rail average is in new high ground at least for the present generation of investors and traders, having shoved up through its September top to a new bull-market high. This does not necessarily signal important further advance, but "the bet" has to be on some further rise, to which the seasonal year-end upward market tendencies should contribute. Measured against past bull-market extremes in prices, price-earnings ratios and yields, rails are at a relatively less advanced level than is the Dow industrial average. Preferences should be for "growth" rails serving Southern and Western areas. Among these are Illinois Central, Kansas City Southern, St. Louis-San Francisco, Southern, Seaboard, Atlantic Coast Line, Gulf, Mobile & Ohio, Louisville & Nashville, Texas Pacific, Atchison, Southern Pacific, Western Pacific and Union Pacific. The latter's recently proposed five-for-one stock split did much to bring the rail list to life.

"Insiders"

The latest official reports showed some "insider" buying of the following stocks: Colgate Palmolive, Cuban American Sugar, Eastern Air Lines, Ekco Products, Federated Department Stores, Kimberly-Clark, Monsanto Chemical, Standard Brands, United Air Lines, and Van Raalte. There has been some insider selling (by officers, directors, etc.) in Borden, Chickasha Cotton Oil, Continental Motors, Gillette, Cuban Atlantic Sugar and Brown-Forman Distillers.

Profiting

It will probably be harder to make money in the stock market in 1956 than it has been in 1955. In the first place, earnings and dividends can not be expected to rise at anything like this year's rate. That, plus the relatively advanced level of the market, suggests a 1955 range for the averages less wide (at least on the upside) than this year's. Profit possibilities center in industries, or in special-situation stocks, which are in line for above-average gains in earnings. Some lines of business which are expected to have moderately increased earnings in 1956 are chemicals, cement, containers (metal, glass and paper) drugs, finance companies, oils, paper, railroad, department stores, steel, tobacco and utilities. Present indications suggest some sharp gains in bituminous coal, machinery, metal fabricating and railroad equipment.

Possibilities

Some stocks which appear subject to substantial further advance on the basis of prospects for good-to-sharp gains in 1956 earnings are: Pittston Company, ACF Industries, American Steel Foundries, Pullman, Caterpillar Tractor, and Allied Stores. —END

DECREASES SHOWN IN RECENT EARNINGS REPORTS

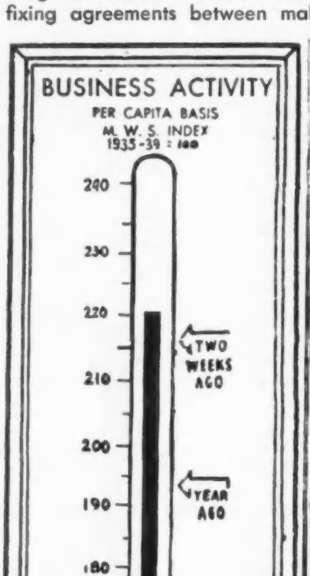
		1955	1954
American Machine & Foundry	9 mos. Sept. 30	$ .97	$1.14
Fairchild Camera & Instrument	9 mos. Sept. 30	1.68	2.48
Smith-Corona, Inc.	Quar. Sept. 30	.61	1.10
Trane Co.	Quar. Sept. 30	.15	.64
Fairbanks, Morse & Co.	Quar. Sept. 30	.40	.56
Flintkote Co.	12 weeks Oct. 8	1.15	1.25
Hazel-Atlas Glass	Quar. Oct. 1	.34	.55
Plymouth Oil Co.	Quar. Sept. 30	.55	.66
Sutherland Paper Co.	Quar. Sept. 30	.78	1.11
Bell & Howell Co.	Quar. Sept. 30	.94	1.12

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

Fair Trade laws, whatever else may be said for and against them, never will be popular with consumers, whose prime interest is in getting a bargain. Once it is conceded that the public does not regard with favor the banning of a bargain, the enforcement of state laws that authorize price-fixing agreements between maker and seller becomes impossible — or maybe uneconomic is a better word. Thus, a manufacturer may (and several do) retain a sort of private police force to check on retailers of his merchandise to make doubly certain that they do not sell his wares below the agreed price.



All but a few states have enacted Fair Trade legislation. In a score of states, the supreme courts have upheld its constitutionality. Still, relatively few people are willing to buy at the prescribed prices. Merchants who know their customers may give them "a discount" on these price-fixed wares, or watch these people head for a discount house or like establishment that will. Stores, small and large, can't tolerate the loss of a customer — especially, the loss of a customer with money in his pocket and ready to buy. So the stores have been more aggressive in meeting competition of discount houses and in many parts of the country (law or no law) pricing policies have changed. Undoubtedly, this brought about considerable pressure on manufacturing sources and the smaller producer is probably feeling the pinch.

Store pricing policy also has taken on something that looks like a frontal assault on Fair Trade. Proponents of Fair Trade, which by law sets the minimum price at which an item may be sold, have not been discouraged. Abandonment of Fair Trade by Westinghouse Electric Corp. was a blow, however. Nevertheless, according to the American Fair Trade Council, the defection of Westinghouse did not create a stampede of Fair-Trading manufacturers to abandon their policy of minimum prices. Indeed, many leading manufacturers in the field countered the Westinghouse move with increased efforts in support of Fair Trade.

Retailers are familiar with the warning that if they steer away from Fair Trade, they will be compelled to find new merchandising sources, mainly in unbranded goods. The action of Westinghouse would suggest that many manufacturers one day will be compelled to find new dealers. At all events, it must often occur to retailers, who abide by Fair Trade, that discount houses have no difficulty worthy of mention in getting branded merchandise.

The future of the Fair Trade fetish would seem dim, at best, if retailers and manufacturers are prepared to desert the cause at a time when business is on a lofty plateau — retail sales crossed the $150 billion mark by the end of October, a $12 billion rise from the first 10 months of 1954. It is idle to suppose that the ranks of the price-cutters will not be swelled when business recedes. When the retailer is confronted with a choice between staying in business and adhering to Fair Trade, he is not likely to find it difficult to make a choice.

Every time a state court rules against Fair Trade, the retail price-cutters shout with glee that the practice is on the way out. The sincerity of such chortling is open to doubt, since Fair Trade made them fat in the first place and keeps them burgeoning. The demise of Fair Trade would be a severe blow to the discount houses, since it would throw them into competition with thousands of retailers who have given them a clear field. In the absence of competition, the discount houses have moved on from consumer durables to apparel, drugs, jewelry and sundries. Many of these have grown from hole-in-the-wall operations to full-fledged department stores.

If the results to date are the criteria, then Fair Trade is fair neither to the consumer, nor to the supine retailer, who must watch his customers go across the street to buy.

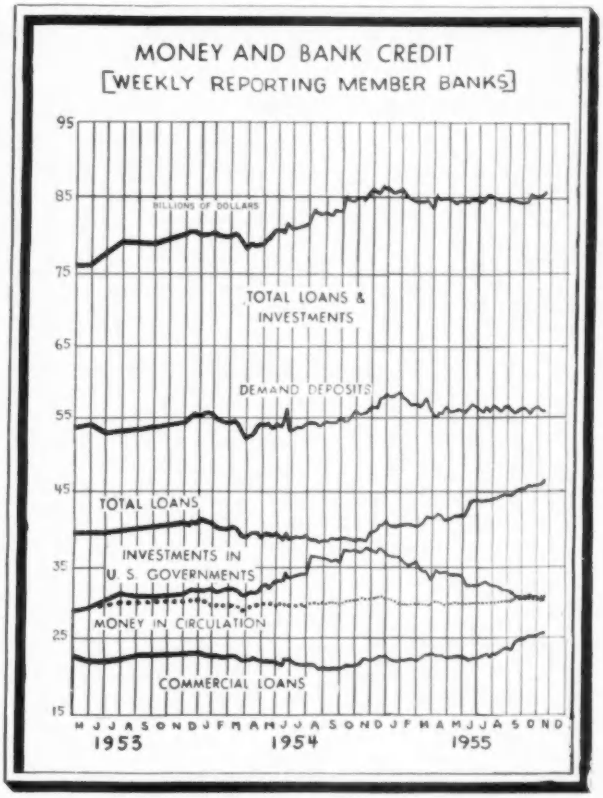
The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—The recent increase in the rediscount rate to 2½%—a 22-year high—came as a surprise to the financial community, which had expected the money managers to exercise forbearance, at least until the Treasury's $12.2 billion refinancing program was out of the way. Instead of deferring to Governmental needs, however, the Federal Reserve kept its eye fixed on the continued and speedy growth of private debt, incurred for such purposes as additional consumer purchases, additions to inventory and business expansion. With many facets of the economy at close to capacity operation, further increase in credit formation has been pressing dangerously against available supplies, accounting for the uptrend of many costs and fanning inflationary tendencies. In these circumstances, the Board saw a clear call to action, although the question still remains as to when the brakes will begin to take hold. After all, this year's three previous increases in the rediscount rate have thus far had little discernible effect on the trend of the economy as a whole.

Latest official action to increase the cost of bank borrowing, had an immediate effect on short term money rates. Additional pressure in this field was generated by announcement of the Treasury's program to refund $12.2 billion of maturing securities by offering holders a choice of either one-year, 2⅝% certificates or 2½-year, 2⅞% notes. As a result of these developments, the yield on new 91-day Treasury bills rose by month-end to 2.45%, highest rate since the 'thirties' and commercial paper yields were increased for the eleventh time this year.

The bond markets also felt the pressure of realizing sales, despite the thought that tighter money today might result in a contraction of demand for credit and thus hasten the return of lower interest costs. Short and medium-term Treasury obligations were lower in the two weeks ending November 28 and even the longer-term Victory 2½s of 1972-1967 lost ½ point during the period. Corporate and tax-exempt obligations also gave ground and yields of representative averages of these two groups were several basis point higher. In the new issue market, higher yields failed to tempt many buyers and the inventory of unsold offerings of state and local entities rose to a new high of $377 million. A large budget of proposed new offerings still remains on the calendar for this year, although current market conditions may result in postponement or withdrawal of some of these.



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TRADE—Consumer buying seems to have been maintained at a steady pace during most of November. Dun & Bradstreet estimates that total dollar volume of retail sales in the week ending Wednesday, November 23, was about 4% ahead of a year ago. The best gain—one of 7%—was made in the Southwestern states. Winter clothing was in good demand in the latest week and white goods moved more rapidly. Furniture sales rose further and major appliances, particularly television sets and sewing machines, were finding consumer interest high. Food merchants benefited from the approaching Thanksgiving holiday.

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INDUSTRY—The Federal Reserve Board's index of industrial output stood at 142 in October, unchanged from the revised figure for September. Production of durables was slightly higher during the month. By mid-November, steel output was up to 99% of capacity and auto production was close to high rates prevailing prior to the model changeovers. Such indicators of business activity as electric power output, paperboard production and crude oil runs to stills were also trending upwards in the first three weeks of November.

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COMMODITIES—The Bureau of Labor Statistics' index of spot prices for 22 leading commodities rose 0.7% in the

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Oct.	3.1	3.5	3.2	1.6
Cumulative from mid-1940	Oct.	605.4	602.3	564.9	13.8
FEDERAL GROSS DEBT—$b	Nov. 22	279.8	279.7	278.8	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Nov. 16	56.0	56.0	55.7	26.1
Currency in Circulation	Nov. 23	30.8	30.8	30.4	10.7
BANK DEBITS—(rb)**					
New York City—$b	Oct.	66.9	63.2	58.2	16.1
343 Other Centers—$b	Oct.	104.1	108.6	90.8	29.0
PERSONAL INCOME—$b (cd2)	Sept.	307.5	305.3	287.9	102
Salaries and Wages	Sept.	212	211	196	99
Proprietors' Incomes	Sept.	50	49	49	23
Interest and Dividends	Sept.	27	27	25	10
Transfer Payments	Sept.	17	17	16	10
(INCOME FROM AGRICULTURE)	Sept.	15	15	16	3
POPULATION—m (e) (cb)	Oct.	166.0	165.8	163.1	133.8
Non-Institutional, Age 14 & Over	Oct.	117.7	117.6	116.5	101.8
Civilian Labor Force	Oct.	67.3	66.9	64.9	55.6
Armed Forces	Oct.	3.0	3.0	3.3	1.6
unemployed	Oct.	2.1	2.1	2.7	3.8
Employed	Oct.	65.2	64.7	62.1	51.8
In Agriculture	Oct.	7.9	7.9	7.2	8.0
Non-Farm	Oct.	57.3	56.9	54.9	43.2
Weekly Hours	Oct.	42.0	42.5	41.4	42.0
EMPLOYEES, Non-Farm—m (lb)	Oct.	50.4	50.3	48.6	37.5
Government	Oct.	7.0	6.9	6.8	4.8
Trade	Oct.	10.9	10.8	10.5	7.9
Factory	Oct.	13.4	13.4	12.6	11.7
Weekly Hours	Oct.	41.2	40.9	39.9	40.4
Hourly Wage ($)	Oct.	1.91	1.90	1.81	77.3
Weekly Wage ($)	Oct.	78.69	77.71	72.22	21.33
PRICES—Wholesale (lb2)	Nov. 22	111.1	111.1	109.5	66.9
Retail (cd)	Sept.	208.8	208.4	208.2	116.2
COST OF LIVING (lb2)	Oct.	114.9	114.9	114.5	65.9
Food	Oct.	110.8	111.6	111.8	65.9
Clothing	Oct.	104.6	104.6	104.6	59.5
Rent	Oct.	130.8	130.5	129.0	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Sept.	15.8	15.7	14.2	4.7
Durable Goods	Sept.	5.8	5.8	4.8	1.1
Non-Durable Goods	Sept.	10.0	9.9	9.4	3.6
Dep't Store Sales (mrb)	Sept.	0.92	0.89	0.84	0.34
Consumer Credit, End Mo. (rb)	Sept.	34.3	33.6	28.9	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Sept.	28.2	28.7	23.3	14.6
Durable Goods	Sept.	14.9	15.1	11.2	7.1
Non-Durable Goods	Sept.	13.3	13.6	12.1	7.5
Shipments—$b (cd)—Totals**	Sept.	27.3	27.2	23.0	8.3
Durable Goods	Sept.	13.8	13.7	10.8	4.1
Non-Durable Goods	Sept.	13.5	13.5	12.2	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Sept.	79.9	79.6	77.0	28.6
Manufacturers'	Sept.	44.6	44.3	42.9	16.4
Wholesalers'	Sept.	12.0	11.9	11.7	4.1
Retailers'	Sept.	23.2	23.3	22.4	8.1
Dept. Store Stocks (mrb)	Sept.	2.5	2.5	2.4	1.1
BUSINESS ACTIVITY—1—pc	Nov. 19	220.1	218.4	194.4	141.8
(M. W. S.)—1—np	Nov.	280.2	278.3	243.0	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 329)

two weeks ending November 23, to close at 89.0% of the 1947-1949 average. Industrial commodities and metals led the upturn with gains of 2.2% and 2.9% respectively. Textiles and fibers were 1.0% higher. Lower prices were registered for raw foods which fell 1.1% while livestock prices lost 2.0% and fats and oils were 0.6% lower.

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NEW HOUSING STARTS declined a seasonal 5% in October, with 107,000 units begun during the month, according to data from the Bureau of Labor Statistics. At seasonally adjusted rates, private starts during the month were equivalent to 1,242,000 units a year, which is somewhat better than the 1,230,000 starts of the previous month but well under the record 1,478,000 rate of starts prevailing in December, 1954. Meanwhile, builders are worried by the 30% slide off in applications to the FHA and the VA for approval of home mortgage comitments, a reduction which portends a future contraction in actual home building. The Federal Home Loan Bank Board has taken steps to counteract this situation by restoring the flow of credit to savings and loan institutions, thus loosening restrictions it adopted in September.

* * *

New orders for **MACHINE TOOLS** spurted in October, to reach $103.4 million, up from $61.3 million in September and highest rate of incoming orders since July, 1952. The National Machine Tool Builders' Show, held in Chicago in September, was given most of the credit for the improvement. It is still too early to tell, however, whether the gain in orders marked the beginning of a long term uptrend. Shipments in October were valued at $60.6 million and the big gap between shipments and orders resulted in a further boost for backlogs. At the October production rate of $67.7 million, it would have taken 6.1 months to complete all orders on the books at the end of the month. This compares with 5.6 months for September backlogs and 3.2 months in October, 1954, at the then current production rate of $101.7 million.

* * *

EXPORTS from this country increased to $1,248.4 million in Sep-

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Oct.	142	142	126	93
Mining	Oct.	122	122	109	87
Durable Goods Mfr.	Oct.	161	160	139	88
Non-Durable Goods Mfr.	Oct.	128	127	117	89
CARLOADINGS—t—Total	Nov. 19	772	797	697	933
Misc. Freight	Nov. 19	379	396	354	379
Mdse. L. C. I.	Nov. 19	63	64	64	66
Grain	Nov. 19	53	56	59	43
ELEC. POWER Output (Kw.H.) m	Nov. 19	11,149	10,878	9,317	3,266
SOFT COAL, Prod. (st) m	Nov. 19	10.2	9.8	9.1	10.8
Cumulative from Jan. 1	Nov. 19	409.3	399.1	343.2	44.6
Stocks, End Mo.	Sept.	71.7	71.0	69.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Nov. 18	6.9	6.8	6.3	4.1
Gasoline Stocks	Nov. 18	154	152	147	86
Fuel Oil Stocks	Nov. 18	45	46	56	94
Heating Oil Stocks	Nov. 18	149	151	135	55
LUMBER, Prod.—(bd. ft.) m	Nov. 19	223	246	268	632
Stocks, End Mo. (bd. ft.) b	Sept.	8.5	8.5	9.1	7.9
STEEL INGOT PROD. (st) m	Oct.	10.5	9.9	7.7	7.0
Cumulative from Jan. 1	Oct.	96.3	85.8	71.9	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Nov. 24	306	402	254	94
Cumulative from Jan. 1	Nov. 24	17,029	16,273	13,039	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Nov. 19	214	249	215	165
Cigarettes, Domestic Sales—b	Aug.	37	29	34	17
Do., Cigars—m	Aug.	569	414	520	543
Do., Manufactured Tobacco (lbs.)m.	Aug.	18	13	18	28

PRESENT POSITION AND OUTLOOK

tember, up from $1,231.9 million in August and 12% ahead of a year ago. The increase was registered despite the decline in military shipments under the Mutual Security Program, which declined to $99.1 million in September, from $127.9 million in August and $152.8 million a year ago. Export increases in September were noted for tobacco, cottonseed oil, cotton, copper ingots, steel sheets and tin plate. **IMPORTS** into the United States amounted to $945.1 million in September, down 1% from August but 21% higher than September, 1954. Imports for the first nine months were 8% ahead of the corresponding 1954 period.

* * *

PAPER AND BOARD PRODUCTION in September, amounted to 2.5 million tons, 14% above year-ago levels. It is estimated that output for the year will hit 29.6 million tons a 3.3 million ton gain over 1954. Consumption should approximate 34.5 million tons, 10% ahead of last year. The difference between output and use will be bridged by close to 5 million tons of imports.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

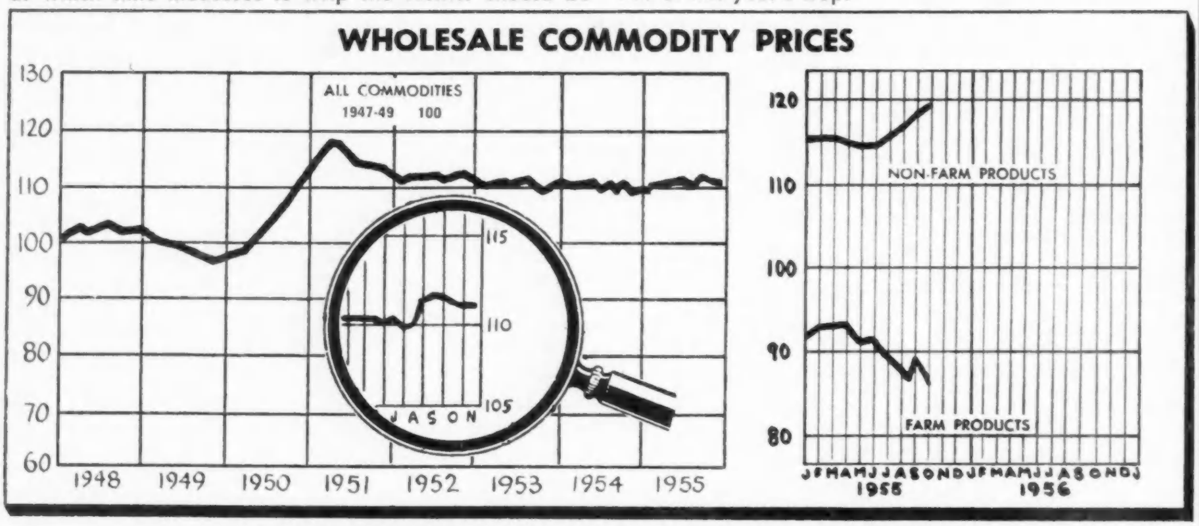
No. of Issues (1925 Cl.—100)	1955 Range High	1955 Range Low	1955 Nov. 18	1955 Nov. 25
300 Combined Average	329.8	282.0	317.4	321.7
4 Agricultural Implements	348.7	264.9	327.1	335.2
3 Air Cond. ('53 Cl.—100)	116.0	87.0	89.3	91.6
10 Aircraft ('27 Cl.—100)	1094.2	871.7	1057.1	1094.2H
7 Airlines ('27 Cl.—100)	1263.6	971.2	1023.4	1044.3
4 Aluminum ('53 Cl.—100)	388.1	191.1	350.7	352.6
7 Amusements	180.6	147.0	164.6	159.8
9 Automobile Accessories	368.6	308.3	352.8	355.9
6 Automobiles	55.8	44.3	55.8	54.8
4 Baking ('26 Cl.—100)	30.6	27.8	28.9	28.4
3 Business Machines	930.6	657.4	764.4	817.6
6 Chemicals	584.5	466.6	569.8	569.8
3 Coal Mining	20.3	14.8	18.3	18.0
4 Communications	116.6	100.7	104.9	104.9
9 Construction	127.3	106.4	118.5	119.6
7 Containers	747.7	675.1	725.9	747.7
7 Copper Mining	333.4	222.2	307.9	305.6
2 Dairy Products	127.0	116.4	121.1	120.0
6 Department Stores	100.2	80.0	94.5	95.3
5 Drugs-Eth. ('53 Cl.—100)	158.0	129.6	148.5	158.0H
6 Elec. Eqp. ('53 Cl.—100)	174.7	151.3	166.9	168.5
2 Finance Companies	651.1	565.1	614.2	614.2
6 Food Brands	300.6	256.2	269.2	269.2
3 Food Stores	163.7	137.7	152.1	157.9

(Nov. 14, 1936 Cl.—100)	High	Low	1955 Nov.18	1955 Nov. 25
100 High Priced Stocks	220.1	180.6	214.4	217.9
100 Low Priced Stocks	392.5	343.5	372.7	376.8
4 Gold Mining	806.0	649.1	656.2	670.5
4 Investment Trusts	157.1	140.8	152.6	154.1
3 Liquor ('27 Cl.—100)	1155.7	961.3	1004.5	1004.5
9 Machinery	395.8	317.7	340.4	350.1
3 Mail Order	234.1	159.3	234.1	229.3
4 Meat Packing	134.4	112.8	123.6	128.4
5 Metal Fabr. ('53 Cl.—100)	187.0	155.9	172.2	177.1
10 Metals, Miscellaneous	452.3	358.2	398.0	398.0
4 Paper	1057.8	767.1	1025.5	1041.7
22 Petroleum	680.3	590.0	668.2	680.3
22 Public Utilities	258.5	234.8	249.1	251.4
7 Railroad Equipment	88.4	73.4	84.6	85.4
20 Railroads	77.9	64.7	73.9	76.6
3 Soft Drinks	565.7	459.9	524.3	528.9
11 Steel & Iron	320.9	219.2	307.4	314.1
4 Sugar	68.8	56.1	61.8	61.8
2 Sulphur	964.0	813.2	922.1	930.5
10 Television ('27 Cl.—100)	47.3	40.7	42.7	41.9
5 Textiles	188.9	148.4	182.9	184.4
3 Tires & Rubber	172.6	137.8	162.4	169.7
5 Tobacco	95.7	81.9	92.2	93.1
2 Variety Stores	315.0	286.9	293.2	290.1
15 Unclassif'd ('49 Cl.—100)	158.1	141.9	143.4	144.8

H—New High for 1955.

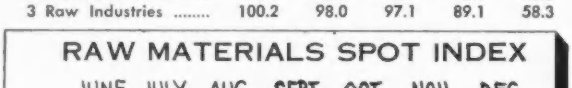
Trend of Commodities

Commodity futures were mixed in the two weeks ending November 28, with price trends swayed by individual developments. The Dow-Jones Commodity Futures Index lost 0.82 points in the period under review to close at 152.51. March wheat was down 2 cents in the two week period to close at 203¾. Although the new winter wheat crop is entering its dormant winter stage, insufficient moisture in the Great Plains area, coupled with recent abnormally cold temperatures, have posed a threat to the 1956 crop. As a result, distant options have been stronger than the nearby. The September, 1956 future, for instance, lost only ¼ cent in the two weeks under review. The weather is thus playing an important role in the present market, although traders are also awaiting the reconvening of Congress, at which time measures to help the farmer should be forthcoming. March corn was 1 cent higher in the two weeks ending November 28. Cold weather, which stimulates consumption of corn by livestock, aided demand as did expectation of an increased use of the Governments loan program. With farm prices for this feed grain some 44 cents under the support rate, in October, farmers eligible for the loan will do their best to impound as much corn as they can. July cotton added 91 points in the fortnight under discussion to close at 31.69 cents. Various plans for solving the problem of huge surpluses of cotton are being formulated and are to receive a thorough review by the legislators. Meanwhile, current ginnings are running ahead of expectations, indicating that the Agriculture Department's forecast of a 14,843,000 bale harvest may have underestimated the size of this year's crop.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

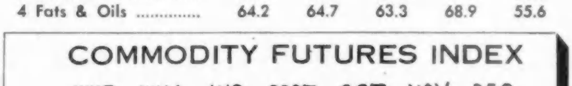
	Date Nov. 23	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.0	88.4	89.2	90.4	53.0
9 Foodstuffs	75.0	76.0	78.7	92.0	46.5
3 Raw Industries	100.2	98.0	97.1	89.1	58.3
4 Metals	120.5	117.2	116.1	100.2	54.6
4 Textiles	81.4	80.5	80.6	84.8	56.3
4 Fats & Oils	64.2	64.7	63.3	68.9	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1955	1954	1953	1951	1945	1941	1938	1937
High	161.5	154.4	162.2	215.4	111.7	88.9	57.7	86.6
Low	153.6	147.8	147.9	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1955	1954	1953	1951	1945	1941	1938	1937
High	173.6	183.7	166.5	214.5	95.8	74.3	65.8	93.8
Low	150.8	167.3	153.8	174.8	83.6	58.7	57.5	64.7

Public Utility Line-Up Under Atomic Energy

(*Continued from page* 303)

sponsors. This project did not gain initial acceptance by the AEC but the company in September filed revised plans increasing the size to 134,000 kw and the cost to $33,400,000. The SEC has recently approved the financing proposal.

(5-6) Commonwealth Edison—Detroit Edison

Two larger projects were soon announced—a 180,000 kw plant to be constructed by *Commonwealth Edison* and a number of associated utilities in Illinois at a cost of $45 million, and a 100,000 kw plant costing $54 million to be built by *Detroit Edison* and 22 other utility companies, in Michigan. The Nuclear Power Group, Inc., representing the Commonwealth group, signed a contract with General Electric Company to build the Illinois plant. Commonwealth Edison was to contribute the land and pay $30 million of the cost while a group of affiliates would share the $15 million "development expenses". Completion is expected by 1960. This project will be further discussed in connection with operating costs of reactors.

The plant to be constructed by Detroit Edison and 22 other utilities at Monroe, Michigan (where it would occupy a 1,200 acre site) is expected to be completed by late 1959. Both the Illinois and Michigan projects have been approved by the AEC.

There are two major problems which the utilities must face in operating atomic reactors—disposal of waste, and insurance against disaster if a reactor gets "out of hand" — as occurred in Canada with the Chalk River Plant. In the case of Duquesne's plant the Government is assuming the entire risk but with the other projects this is not the case. The utilities are probably banking heavily on the use of large isolated tracts of land. Con Edison is building a 300 ft. high weather study tower to determine how high a smoke stack must be to eliminate air pollution from its reactor.

Comparison of Costs

Obviously the success of atomic energy reactors will be measured by the overall cost of generating power, as compared with that in fuel generating plants in the same area. KWH costs include a long list of items which, however, fall into three groups (1) fuel, (2) operating and maintenance outlays, and (3) general overhead such as depreciation, taxes, administration and cost of capital. The first two items vary with annual kwh output, while the third is fairly constant (except for income taxes) regardless of output.

With respect to fuel, hydro plants of course have no cost but they are not always reliable because of water shortages, when steam capacity must be substituted. Fuel cost with atomic energy is quite low (with the help of Government subsidies) being probably only about half that of fuel burning plants, on the average. However, this advantage varies greatly for different areas since transportation costs for coal, oil and gas vary widely. Thus in New England the fuel cost to generate 1 net kwh ran about 4.6 mills last year compared with only 1.3 mills in the west-south-central area where cheap natural gas is largely used as boiler fuel. Obviously New England would be much more interested in the fuel savings obtained from atomic power than would southern utilities.

The same situation applies in some foreign countries where fuels are scarce or expensive. That is why so many foreign countries were interested in the Geneva results. Already plans

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COST OF NUCLEAR ENERGY DECISIVE

By Ethan Allen Peyser

Director Washington Natural Gas Co.
(formerly Washington Gas & Electric Co.)

The utility companies are already "nuclear energy conscious". Most companies are doing future planning with such energy in mind, and many companies are already in action to develop such use.

At least 5 large reactors of the 180,000 k.w. to 220,000 k.w. class are in various stages of planning or construction. The pioneering work being done by Consolidated Edison, Commonwealth Edison, the Detroit Edison Company group, and the Yankee Atomic Power Company is well known. The next 5 years will be the testing and developing period within which period the large reactors now being built will have been completed and in use. Their use will probably include at least 8% of the utility industry — directly or indirectly.

Within 10 years the use of nuclear energy will be extended to 18% of the utilities.

Within 20 years close to 50% of the utilities will be using nuclear energy at least in part.

The cost of nuclear energy will, of course, be the all-determining point. We believe now that the capital cost will be very high and the operating cost rather reasonable. These costs must be compared with the price of other fuels in various parts of the country. Any general statement must be viewed with these factors in mind. Low cost energy has been one of the main factors in the growth of this country's industry. Low cost energy, and plenty of it, will continue to be a principal growth factor. It is the **sine qua non.** The cost of nuclear energy will decrease as its use becomes general.

The financing of equipment for the use of nuclear energy will be the least of many problems. The utilities have already demonstrated their ability to finance needed and legitimate expansion. It will be necessary only for such financing to be "right", backed by competent engineering studies and supported by proved management. Almost all companies will be able to finance such improvements in part from their own earnings and reserves.

The use of nuclear energy will render obsolete much equipment unless such equipment is retained for stand-by purposes. The factor of obsolete equipment will be handled in one of several ways. Such equipment will (1) be written off in the year of abandonment, or (2) its abandonment will be anticipated several years in advance and its depreciation will be accelerated over a number of years so that the final write-off will conform to the time of abandonment, or (3) the obsolete equipment will be retained for stand-by purposes and serve the further purpose of adding to the utility's rate-base. The choice of treatment of obsolete or so-called obsolete equipment will depend on each respective management.

Energy requirements of the United States will be doubled by 1975. The need for energy is so great that the development of nuclear energy will not in any way affect the use of coal, petroleum, hydro-electric power or natural gas. The requirements for energy in this dynamic country has proved and will not be able to satisfy such need.

Each part of the country will, of course, be subject to different situations. It is my opinion that the use of nuclear energy will develop faster in the areas not presently using hydro-electric power and where conventional fuel costs are high. Nevertheless, in most areas of the country, including those which use hydro-electric power, the use of nuclear energy will be a valuable addition to our energy and heat requirements.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Curtiss-Wright Corporation

"Please report recent sales volume and net profit of Curtiss-Wright Corp., and give unfilled order backlog and also any new steps the company has taken recently in its expansion and diversification program."

G. A., Chicago, Ill.

Curtiss-Wright Corp, reported for the nine months ended September 30, 1955, a consolidated net profit of $24,012,833 after provision for federal income taxes. This compares with a consolidated net profit, after taxes, of $11,454,782 for the nine months ended September 30, 1954.

Consolidated net sales for the first nine months of 1955 amounted to $365,046,755 as compared with consolidated net sales of $348,261,589 for the first nine months of 1954.

Unfilled orders, plus scheduled production under advance contracts of Curtiss-Wright Corp. and its subsidiaries totaled approximately $849 million as of September 30, 1955.

The company has appropriated approximately $20 million out of reserves and retained earnings for new engineering and manufacturing facilities, including the basic establishment of a new 85-square mile Research & Development Center at Quehanna, Pa.

Curtiss-Wright has declared a dividend of 50¢ for the fourth quarter and a year-end dividend of 15¢ on the common stock, both payable December 28th, to stockholders of record December 7th. Previous payments this year were 40¢ in Sept. and 35¢ each in June and March.

The company announced two new steps recently taken in its continuing expansion program. These are the acquisition of exclusive rights under patents and designs relating to non-destructive testing devices, developed by Electrocircuits, Inc., of Pasadena, Cal., and this broadens and strengthens Curtiss-Wright's position in the field of ultrasonics. These new ultrasonic testing devices, using the pulse and echo system, have wide applications throughout industry for the detection of flaws and the measurement of materials with a high degree of precision. Also, through agreement with Robert H. Thorner, of Detroit, Mich., the Marquette Metal Products Co., Inc., a wholly-owned Curtiss-Wright subsidiary, has obtained exclusive rights to patents and applications for patents covering pressure sensing and vacuum sensing speed governors for diesel and other types of internal combustion engines. The acquisition of the Thorner developments, together with the recent purchase of the assets and product lines of the Massey Machine Co. of Watertown, N. Y., increases the sales potential of the Marquette subsidiary which is already established as a leading manufacturer of engine-governing equipment.

Prospects over coming months continue favorable.

General American Transportation

"I am retired and am interested mainly in securities with stable earnings. Would General American Transportation qualify? Please submit recent data on the company."

S. W., Richmond, Ind.

General American Transportation derives about half its revenues from the leasing of about 62,000 freight cars and operation of terminal facilities. These expanding services lend stability to earnings. Company makes freight cars, plus a broad variety of equipment for other industries.

Earnings of General American Transportation Co. for the nine months ended September 30, 1955, were $9,086,569, or $3.82 a share, compared with $8,453,541 or $3.56 a share for the same period in 1954.

For the three months ended September 30, 1955, the company reported $1.29 a share, compared with $1.24 a share a year ago.

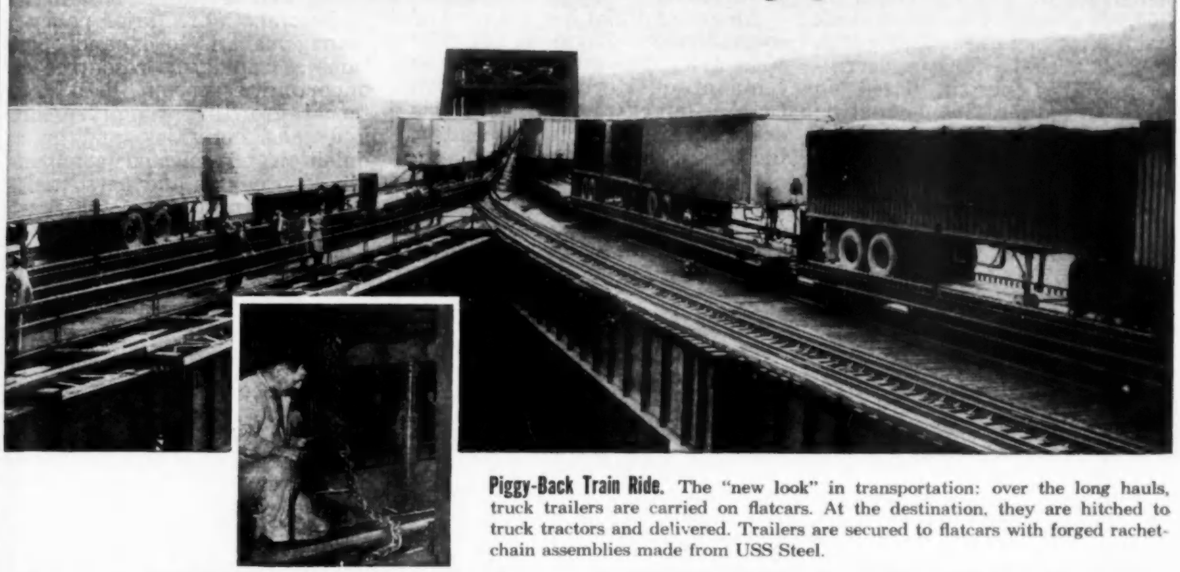
Income for the first nine months of 1955 was $122,542,828. For the same period in 1954, income was $118,442,717. Increased purchasing of railroad freight cars in the third quarter has increased order backlog over that of a year ago. Sales of special equipment for the expanding portland cement manufacturing industry by company's subsidiary, Fuller Co., likewise has increased the company's backlog over that of the same date last year.

The total number of shares outstanding as of September 30, 1955, was 2,375,132, while in 1954 it was 2,374,570.

The regular quarterly dividend of 70¢ per share, plus 25¢ extra, is payable December 23rd to stockholders of record December 2nd.

(*Please turn to page* 346)

Only STEEL can do so many jobs so well



Piggy-Back Train Ride. The "new look" in transportation: over the long hauls, truck trailers are carried on flatcars. At the destination, they are hitched to truck tractors and delivered. Trailers are secured to flatcars with forged rachet-chain assemblies made from USS Steel.

Make It A White Christmas. Give her a gleaming major appliance. Perhaps this automatic laundry. As an extra feature, it has a sparkling Stainless Steel tub that won't corrode, won't wear out.

Tallest Structure In The World. This gigantic television tower belongs to station KWTV in Oklahoma City. It is 1572 feet high—100 feet taller than the very tip of the Empire State Building. To withstand the screaming 150 mph winds, most of the top sections were made from USS Man-Ten, a special high strength steel designed for demanding jobs.

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SEE the United States Steel Hour. It's a full-hour TV program presented every other week by United States Steel. Consult your local newspaper for time and station.

New Stock Listings in 1955

(*Continued from page* 315)

$5,188,000, or $3.83 a share on 1,354,448 shares of common stock outstanding, against $2,901,000, or $2.59 a share for the corresponding 1954 period, based on 1,117,650 shares. In computing share earnings for the latest period, the additional shares issued in connection with the recent offering of subscription rights to shareholders were included. Net sales for the 36 weeks of 1955 were $48,857,000, an increase of 28% from the year-ago period. Sales of tire yarn were up 34% and textile yarn gained about 7%. The company has grown from a volume of $3,752,000 in 1930 to a peak $65,107,000 for fiscal 1953.

American Enka has a record of some dividend payment annually since 1934. The stock receives 40 cents at quarterly intervals. In October, an extra of 40 cents was declared, payable in December, indicating a $2 annual yield.

Beckman Instruments, Inc. was incorporated in California in 1934 and was formerly known as National Technical Laboratories. The company designs, develops and makes precision analytical instruments for scientifie, industrial, medical and laboratory uses. Principal properties consist of a plant owned in fee at Fullerton, Calif. and a leased building at Richmond, Calif. Major policy of management is to expand operations as rapidly as resources and opportunities permit, both by internal growth through research and sales activities, and by acquisition of selected companies whose products and personnel fit into its program. In recent months, two such companies were acquired — Specialized Instruments Corp. of Belmont, Calif. and Liston-Becker Instrument Co. of Stamford, Conn.

Excellent Year's Record

The fiscal year ended June 30, 1955, was another record-breaking year, with sales and earnings surpassing by substantial amount their previous high levels. Volume totaled $21,331,000, a rise of 14.4% from the previous year. The new high in net profit of $1,322,000, or $1.06 on the 1,249,735 capital shares, represented increase of 43.7% from the preceding year when net was $920,280, or 85 cents a share on the then outstanding 1,079,735 shares. Increased net during 1955 was primarily the result of increased sales volume and elimination of the excess profits tax that applied to a portion of the previous year's profits. Increase in net was realized despite substantially higher research and development costs — $570,000 greater than the previous year, for a total of $2,032,000. In November, 1954, Beckman sold publicly 150,000 shares, realizing thereby $3,112,500. In December, the long-term loan was increased by $900,000 to $3.4 million. This loan is due in 1972. Repayment installments are not required to be started until 1958. As a result of the $4,012,500 additional cash the company remains in excellent financial position after recent acquisitions as well as repayment of all short-term loans.

Although Beckman has a long record of profitable operations, no dividend has been paid since 1950. It is the belief of management that maximum benefits to shareholders will result from using cash resources to prepare for future growth. —END

Progress Report on Depressed Industries

(*Continued from page* 318)

cargo vessels, has gradually been completed and there has been an almost complete dearth of orders over a two-year period for new sea-going ships. A measure of the fall in shipbuilding activity is the fact that no dry cargo ship has been built for private ownership in an American yard since 1947. Meanwhile, vessels have disappeared into foreign fleets, into the reserve fleet that the Government keeps for an emergency, or into scrap.

In July, there were under construction around the world 50 passenger vessels, 304 tankers and 1,003 cargo vessels for a total of 12.6 million gross tons. With an increase of 6% in world tonnage under construction since July, 1954, the United States has dropped to tenth place from eighth. We are surpassed by Britain, Germany, Japan, Sweden Holland, France, Italy, Norway and Denmark.

Now a rash of long-range building plans indicates scores of new vessels will be heading out to sea. The reason: There are 16 companies receiving operating subsidies from the Government—two more have applied. If these companies wish to continue receiving help, they must replace their vessels. The $313 million contract with Mooremac points the way. American President Lines has announced a $175 million fleet replacement plan, with more than 20 vessels to join the line in the next 10 years. Grace Line plans to replace its two passenger vessels at a cost of about $22 million per ship.

Beneficiaries of Building

Among major beneficiaries of the shipbuilding program now taking shape should be New York Shipbuilding (now an operating division of Merritt-Chapman & Scott and a profitable one), Bath Iron Works, Newport News Shipbuilding & Dry Dock, American Ship Building, Todd Shipyards, Bethlehem Steel Co. and Sun Shipbuilding & Dry Dock (wholly-owned subsidiary of Sun Oil Co.). These companies also should

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Progress Report on Depressed Industries

(*Continued from page* 337)

play a major role in any changeover of the merchantmen to atomic-powered vessels. It will be recalled that President Eisenhower proposed the building of an atomic-powered merchantman to cruise the seas as a sort of goodwill exhibit. Atomic-powered military craft already is a reality.

Less distant, however, is the roll-on, roll-off ship, ideal for intercoastal shipping. Many of these craft already have been built and are in operation. They may be 64-foot vessels and cost as little as $90,000, including radar and navigating gear. Big ones, planned by American-Hawaiian, cost several millions of dollars each. They would be 732 feet long and capable of carrying 570 fully-loaded trailers. Tremendous savings in dock and stevedoring costs are the special attraction of these seagoing ferries. Government officials are in favor of these trailerships and there is talk of making the purchasers eligible for quick tax write-offs.

The Shipbuilders

American Ship Building Co. is a small but topnotch operator of several large plants at leading Great Lakes ports, equipped for construction and repair. Repair work, primarily dependent on volume of seasonal movement of iron ore transported by the Lakes fleet of bulk freighters, usually accounts for a large part of earnings. The last ore carrier under the construction begun in 1950 was completed and delivered in October, 1954. No new ship construction was offered thereafter until June of this year, when the company was awarded a contract for two Landing Ships-Tank (LST) by the Navy, for the price of $16,264,000. Work on these will last more than two years. Ship repair and construction work dwindled in the fiscal year ended June 30, 1955, when net profit totaled $146,000, equal to $1.32 a common share. This compares with net of $617,000 and $5.62 a share in the preceding year. Company has a record of paying some dividend in each year since 1917. Current indicated payout is $3 a year.

Bath Iron Works Corp. operates a shipbuilding plant at Bath, Me., primarily for combatant ships for the Navy. It also builds other types of craft and undertakes miscellaneous work in other fields. Bath and Todd Shipyards jointly own Todd Atlantic Shipyards Corp. of South Portland, Me. Future volume of Bath should be on a satisfactory scale as replacement of the World War II destroyer fleet becomes a more pressing necessity. Consolidated gross in 1954 was $44,362,000 and net profit totaled $2,311,000, or $5.51 a share, against 1953 gross of $37,838,000 and net of $1,496,000, or $3.57 a share. Earnings for the year now drawing to a close should show little change from 1954. The stock this year was placed on a 65-cent quarterly basis, against a 50-cent rate last year. As a leading builder of fighting ships, Bath must be classed as "a war baby."

Newport News Shipbuilding & Dry Dock Co. is a giant of the field, the ranking builder of naval carriers. Besides building various types of naval and merchantmen, it converts, repairs, reconditions and reconstructs vessels. An atomic power division has been established to explore benefits of such power in ship operation. The company also is engaged in such diverse fields as mechanical accessories for hydro-electric plants and rayon spinning machines. However, more than 70% of its income is derived from shipbuilding. Net last year rose to $7,164,000, or $8.96 a share, from $5,216,000, or $6.52 a share, in 1953. For the first six months of this year, net was $2,550,000, or $3.1[illegible] a share. The stock receives 5[illegible] cents at quarterly intervals. Last year, a total of $4 was disbursed, including $2 voted at yearend. A sizable extra also is anticipated this year. Newport News should derive considerable benefits from any large-scale merchant marine program, in addition to which it is a prime candidate for additional naval carriers. Indeed, it is the only private yard that has facilities large enough to handle carriers of the Forrestal class.
—EN[illegible]

Outlook for Finance Companies Under Higher Money Rates

(*Continued from page* 325)

practically all are primarily makers of direct or personal instalment loans The experience of the large majority of these companies over the past decade has been an almost continuous expansion in the number of loans made and in dollar volume which reflects to a considerable degree the growing acceptance of the small loan companies by wage earners and their families — the so-called middle-class — in financing planned or emergency obligations.

The records of the leaders in this field also show great stability, losses through failure of borrowers to repay the full amount of their loans, being negligible by reason of the fact that the amount of each individual loan is determined by the amount of credit to be extended, the period over which this credit is repayable, usually in monthly instalments, and the credit worth necessary for the customer to make the loan. In the majority of the states in which these companies operate, the maximum maturity of a loan is set by state law, with most of the small loan makers adhering to these maximum maturities in states where such maturities are not fixed by law. It has also been the experience of these companies that consumer borrowing rises during periods of high industrial production and employment with 1955 levels indicating another record year in earnings for the small loan companies. With equal conditions prevailing in the next year, the outlook is for continued gains, provided money rates in the respective money markets of this country and Canada hold fairly steady at prevailing levels. On the other hand, like the sales finance companies, the small loan companies are in a position to stabilize earnings in periods of contracted loan volume because of the flexibility of their financial structures.

Household Finance Corp., operating 514 branches in the U. S., and 199 in Canada, ended the first nine months of this year holding \$422.2 million in customer notes receivable maturing in from one to 24 months. This was an increase of \$33.4 million over the amount at the start of the year, and \$12.7 million more than during the like period of 1954. Although gross income for the 9 months of this year was up 8% over a year ago, higher U. S. and Canadian income taxes, up by \$379,000, reduced net income to \$11.9 million, equal to \$1.75 a share, from \$12.1 million, or \$1.76 a share for common stock in the 9 months to Sept. 30, 1954. These per share earnings are after adjustment for the 10% stock dividend paid in October of last year. Not included in these calculations are 341,380 more shares of common stock to which shareowners were given rights to subscribe last Sept. 30, at \$24 a share, netting the company \$7,849,074. Household Finance, ranked as the largest of the small loan companies, it is estimated, will show 1955 net earnings of about \$2.40 a share against which it is currently paying dividends at the conservative rate of \$1.20 annually. At a current price around 27¼, the common stock, attractive for its dependable income and long-range growth potentials, is selling to yield 4.4%.

American Investment Co. of Illinois, the third largest consumer finance company, earned a record \$1.95 a share on its common stock in the nine months to last Sept. 30. This compares with \$1.83 a share earned in the like 1954 period when there were about 105,000 less shares outstanding. During the 1955 first nine months, AIC continued its expansion program with subsidiaries opening 26 new offices and entering four additional states, bringing total branches to 353 located in 28 states. At a special stockholders meeting last Nov. 29, approval was given to a plan to split the common stock on a 2-for-1 basis. Prior to that the dividend on the then outstanding common was increased to 50 cents from 40 cents quarterly, it being the intention of the company to put the stock after the split on \$1 a share annual basis. At current price around 36½ and on present \$2 annual dividend basis, American Investment common which has paid

(*Please turn to page* 340)

Outlook for Finance Companies Under Higher Money Rates

(*Continued from page* 339)

some dividend in every year since 1930, yields 5.4%.

Beneficial Finance Co., the second largest unit in the small loan field, has a record of consistent growth over the past decade. It operates, through a number of subsidiary 929 offices in the U .S., and the Candian provinces, and two in the Territory of Hawaii. Several of these subsidiaries, in addition to making small loans, finance instalment purchases of furniture, household equipment and other consumer durables. As of last Sept. 30, it had on its books $340.8 million of instalment notes receivable maturing in monthly instalments generally over a maximum period of 20 months. This volume was $31.7 million over that of the corresponding 1954 period. Net earnings of $12.6 million, equal to $1.29 a share for the capital stock, compared with $11.3 million or $1.16 a share in the 1954 first 9 months, indicate full 1955 earnings at a new high of about $1.70, surpassing 1954's $1.55 a share, after giving effect to the 2½-for-1 split made in January of this year. Following this split, dividends on the new stock have been maintained at 25 cents quarterly, yielding at current price of the shares around 19¾, 5%. On this basis the stock is worth holding for income and for its growth potentials, as well, over the long-term. —END.

Two Leading Biscuit Companies

(*Continued from page* 323)

"Dromedary" products in keeping with plans to expand the Hills Brothers business. Sunshine, after appreciably expanding its sales force last year, announced it was pursuing an aggressive merchandising campaign and expected to somewhat enlarge its advertising program in 1955, although its expenditures in this regard are considerably smaller than those of Nabisco.

Naturally, these heavy appropriations must find reflection in net income at a time when both companies have yet to realize the full benefits of their modernization and expansion programs. This is aptly borne out by Nabisco's 1955 first nine months' results. In that period sales increased to $287.9 million from $278.3 million for the like 1954 first nine months, but net income dropped to slightly more than $13 million, or $1.84 a common share from $14.6 million, equal to $2.10 a share a year ago. On the basis of net income per dollar of sales, net income per share of common stock for the 1955 period slipped to 4.5 cents from 5.3 cents for the full 1954 year in which net for the common amounted to $2.85 a share. This showing, apparently, has accounted for the recent poor action of the stock. Results in the final quarter of this year should parallel those in the last three months of 1954, indicating net earnings for the common stock at $2.60 a share, providing ample coverage for the current 50-cent quarterly dividend rate.

By comparison, Sunshine is doing much better. Although it doesn't release sales figures for interim periods, net income for the nine months to Sept. 30, 1955, increased to $4.5 million, equal to $4.41 a share for its capital stock, from $4.3 million or $4.26 a share for the like period of last year. In view of this showing for the first nine months, it is not stretching matters any to calculate net income for all of 1955 at $6.00 for each of the outstanding 1,021,200 shares of capital stock.

The most recent balance sheets of the two companies are those that were released with 1954 earnings statements dated December 31. At that time Nabisco as well as Sunshine disclosed strong finances. Included in the latter's current assets were $22.6 million in cash and U. S. Government obligations, a sum more than double the total of current liabilities, leaving working capital of $27 million. On the same date, Nabisco's current assets, including $41.6 million in cash and U. S. Government securities, totaled $102.5 million. Against this sum were current liabilities of $48.6 million, leaving working capital of $53.8 million. Within the 10 years to the end of 1954, Nabisco's net plant and equipment account has increased from $52.6 million to $112.1 million.

At its current price around 39, National Biscuit common is selling to yield on the basis of the $2 annual dividend, 5.1%, an attractive yield for this stable dividend payer which is worth holding for its long-range growth potentials. Sunshine Biscuit, by comparison, makes an equally favorable showing. The stock is currently priced at 79¼, yielding 5.0% on the annual $4 dividend. This issue is entitled to rate as a good-grade investment issue and one that has an appeal to the conservative investor also interested in ultimate appreciation through growth. —END

New Industrial Giants for Fortune Building

(*Continued from page* 309)

$25 million, payment being made through General Tire's subsidiary, General Teleradio, Inc. This purchase became less surprising, however, when it was coupled with the fact that General Tire had gotten into the entertainment field through its 1942 purchase of the 25-station Yankee Radio Network of New England, and went deeper into radio in 1950 by acquiring a 45-station chain on the Pacific Coast, and in 1952, New York's WOR radio and TV chain. These are all now vested in General Teleradio in which General Tire now owns a 100% interest.

It follows that the RKO acquisition was a natural, considering the large library of feature-length and shorter films that might be used for TV showing that were included in the deal. Despite its big interest in radio and television broadcasting, and its RKO movie producing facilities, General Tire hasn't lost interest either in its tire and rubber business or in expanding its industrial activities. Its most recent acquisition, made late this year, has been Respro, Inc., manufacturer of vinyl plastic products consisting of items complementing those of its own Plastics Division, and using substantial quantities of polyvinyl chloride resin, which General Tire is now producing in its new Ashtabula plant. This company obviously faces a promising future.

With the exception of the Adam

Hat and ACF-Brill activities which are mentioned in this article solely to bring into contrast varying reasons for acquisitions, all the others referred to represent good examples of constructive mergers either horizontally or vertically, and in some instances both types. Investors should weigh the potentials of proposed mergers of other companies to determine whether they are because of expendiency or have potential benefits to the surviving corporation. —END.

Crisis in the Middle East

(*Continued from page* 299)

the task promises to be arduous, the prize, to repeat, is a whole world.

It is for the U. S. to take up in earnest the task of education, precept and cooperation with these backward countries, which are groping their way in a world strange to them. Unfortunately, Americans are sick and tired of being told that such tasks have fallen to them, but it will not be accomplished through the ministrations of countries such as France, whose inability to govern herself and long record of mismanagement of colonial lands are poor credentials, indeed, for the onerous burden. Nor will our credentials be honored if we persist in making of our policy a bi-annual political jamboree. To be sure, we can turn our backs on this unholy mess, in which case Russia will be only too glad to step in—exporting mischief in lieu of product.

The task is clear, the stakes are plain for all to see. The chosen weapons could not suit our purposes better. We deal, not in ideological Potemkin villages, but in a way of life that has given plenty, of dignity and goods, to the broad masses of our people. And we seek the subjugation of no people, nor could we, for it would be the negation of the American heritage. There are men of influence in the vast stretches of land that reach from the Atlantic to the Indian who know this and know also that America is prepared to help their peoples to find a niche in the world emerging. Let us examine at closer range the representative countries in this arena, each the beneficiary of considerable help from the U. S. From left to right:

Morocco — France has ruled Morocco as a protectorate since 1912, but now is losing her grip under nationalist pressure, ably assisted by home-grown Reds. A country about the size of California, Morocco has a population of 9 million, which rapidly is outstripping local food supply and employment opportunities. About 80% of the natives live off the land, but of the 20 million acres cultivated, only 2 million are worked by modern methods. Four American airbases—Sidi Slimane, Benguerir, Nouaseur and Boulhaut—are a source of considerable dollar income and more money has flowed in as France used Marshall Plan aid to prop up the local economy.

Reclamation projects, such as the recently completed Bin-el-Ouidane Dam (largest in Africa) has wrested nearly 350,000 acres from the desert and, incidentally, doubled the Moroccan supply of electric power. Mining, the country's main contribution to international trade, employs about 30,000 workers, mostly native. Morocco is the world's second largest producer of phosphates and cobalt, ranks fifth in manganese and seventh in lead. Other minerals are found in commercial quantity and large slices of the country's hinterland are now open to mineral exploitation. There is, however, no processing industry. Apart from the State-owned phosphate mines, the industry is in private hands, mainly French. Of course, the country sorely needs investment capital, over and beyond what France can supply. The Sultan already has conferred with American business leaders, who are expected to show greater interest after a national government has been formed. Meanwhile, France has a strong economic grip on the country and has no stomach for U. S. competition.

Algeria—This land, to the east of Morocco, is held by the French to be an integral part of the mother country. The country, roughly the size of the U. S. east of the Mississippi, was conquered by France early in the 19th Century and that country walked out

(*Please turn to page* 343)

Public Utility Line-Up Under Atomic Energy

(*Continued from page* 333)

have been announced by *General Public Utilities* to build a plant in the Philippines for its subsidiary, *Manila Electric*. England has announced an ambitious program for building atomic reactors, since her coal production is declining and she needs new power sources.

A great deal has been said in the press about the number of years which must elapse—ten or fifteen seems a favorite number—before atomic energy can become competitive with fuel burning plants—in other words commercially feasible. But these statements fail to take into account the rapid progress made recently with certain types of reactors. General Electric for example claims that its dual cycle boiling reactor, if operated at 10% load factor (i.e., continuously throughout the year) could produce power at the same cost in the Chicago area as conventional steam plants. In fact the cost might even be slightly less—a little below 6 mills overall cost—if the plant cost would be held down to $200 per kw. The average construction cost of the $45 million plant which G.E. will build for the Commonwealth Edison group in Illinois will cost an estimated $250 per kw so that its operating cost might run around 6¼-6½ mills, a little higher than for a conventional plant. Commonwealth Edison has reported that, leaving out about one-third of the capital cost of its plant which is contributed by the Associated Group, it could produce electricity at a kwh cost "approximately competitive" with new coal-fired generating units in its service area. Thus we have almost arrived at the goal which the experts a short time ago were predicting would not be reached for ten or fifteen years.

As further evidence of this fact *Babcock & Wilcox* has just announced that a study conducted by 50 scientists and engineers representing 17 organizations at Brookhaven Laboratory on Long Island shows that a 226,000 kw plant could be built and operated at a cost of 7.1 mills per kwh—less than the cost in large conventional plants where fuel costs are high. This type of reactor uses liquid metal and could operate as a "regenerative" system producing about 80% as much fuel as it consumes. Further research is required, however.

Obviously the higher capital costs of a nuclear plant are balanced by lower fuel costs. Labor costs may be somewhat higher because of the difficulties of handling material, but this will gradually be taken care of by increased automation. Further reductions in the costs of atomic power may be anticipated, while costs of coal, oil and gas will probably rise.

The capital cost of this vast program will be coordinated with the financing of other power plants and of transmission and distribution facilities. There is no reason why there should be any special difficulty in financing atomic power plants, especially where the high credit standing of companies like Consolidated Edison, Commonwealth Edison and Detroit Edison is involved. Other groups, such as Yankee Atomic Power, may seek special loans from institutions on a substantial basis, as was done with the big projects which now furnish electricity to the AEC (Electric Energy, Inc., Ohio Valley Electric, etc.). The question of insurance will doubtless be solved after the insurance companies have time to study the problem further, and with the tremendous amount of research now under way the new reactors should prove as safe to operate as conventional power plants.

How will the investor in utility stocks benefit by the construction of the atomic power plants? It will be difficult to make any appraisal of near-term effects on the earnings of individual utilities until more accurate estimates of the cost of generating power by the new method become available. However, it seems obvious that the utilities in areas like New England where fuel costs are high should be the principal beneficiaries. Atomic power might also prove of value in the Pacific Northwest where power is mainly produced by hydro and where standby steam power for use during droughts is relatively expensive. In any case, this is a highly important development for all holders of public utility securities.

Industrial Companies Which Lead in Nuclear Energy Application

There are a host of industrial companies engaged either directly or indirectly with atomic energy application. These companies may be classified generally into six categories.

(1) **suppliers of atomic reactor components and special equipment:**

American Machine & Foundry which is currently involved in two reactor projects. A reactor for the Batelle Memorial Institute of Columbus, Ohio at a total cost of $500,000 to be completed in 1956 for research, and a reactor to be wholly financed by private industry at an estimated cost of $1.5 million.

Babcock & Wilcox which has been accepted to build an atomic power plant for Consolidated Edison.

Allis Chalmers has been selected to design and construct power generation and special equipment for the $17 million reactor generating some 5,000 kw, being built by Argonne National Laboratory.

American Locomotive which is to build a package reactor for the Army which can be assembled from parts and flown almost anywhere.

(2) **companies which are now applying or will apply atomic power:**

North American Aviation which has already built two small reactors for research and will build a reactor moderated by graphite and cooled by liquid sodium at a cost of $10 million.

General Dynamics which has built the hull of the first atomic powered submarine and is building the second.

(3) **companies engaged in a variety of atomic projects:**

General Electric and Westinghouse which are the principal contractors in the submarine reactor program. **Westinghouse** built the first nuclear power plant for the first atom powered submarine and **General Electric** which built the reactor for the second submarine and has already completed the prototype power plant.

Union Carbide & Carbon Corp. which operates the government owned gaseous diffusion plant at Oak Ridge and Paducah where radio isotopes are made. **Union Carbide** also conducts an extensive research program on alloys and metals, carbon products, gases, chemicals, and plastics which have already proved of great value in atomic energy application. A special division called Union Carbide Nuclear Company has been set up to integrate the Corporation's diverse activities in the field of atomic energy.

(4) **companies which operate atomic energy facilities for processing fissionable materials:**

Monsanto Chemical, Dow Chemical, Bendix Aviation, and **Du Pont.**

(5) **companies which produce or process minerals or metals important to atomic energy like lithium, thorium, and zirconium:**

American Potash & Chemical, Lithium Corp. of America, and **Allegheny Ludlum Steel.**

(6) **and companies which process radioactive materials and manufacture radiation instruments:** Leaders in the field are; **Tracerlab, Consolidated Engineering,** and **Beckman Instrument.**

and should be followed with the closest attention in coming years.

(Acknowledgment is made of the valuable assistance of Messrs. Owen Ely and Joseph L. Stanley in the preparation of this article.)

—END.

Crisis in the Middle East

(*Continued from page* 341)

of the United Nations this year when a move was made to debate the status of Algeria. France returned only when the issue was dropped. Representatives of the 9 million Moslem inhabitants have representation, of a sort, in the French Parliament. Some one million Europeans also reside in the country. A measure of France's guidance may be gleaned from the fact that wine-growing still is the backbone of the economy for Moslems, whose religion forbids them to indulge in alcohol. Adding to the stupidity, the Paris government buys up surpluses of the grape each year. Algeria, of course, has benefited from the largesse the U. S. has passed on to France.

Algeria needs more local employment than French capital has been willing to undrewrite. The country's mineral production, notably iron ore, has risen over the last few years although, as in Morocco, there is no processing industry. The French have used their privileged position here also to discourage foreign investment, which must face other forbidding obstacles, such as high power and fuel costs, lack of skilled labor and the nationalist ferment stirred by Communist hirelings. Nevertheless, a few American companies have had the fortitude to enter this uninviting arena, notably Newmont Mining Corp., which is producing lead and zinc there, and the Shell interests, drilling for oil around the Sahara. With France fighting to retain her North African holdings, Paris may yet be forced to turn to the U. S. to spur the development of the country.

Tunisia — The 75-year protectorate recently was granted a measure of home rule by the French. However, Tunisia and its 3 million Moslems (there are also 350,000 Europeans) remain firmly attached to the franc. Paris will continue to provide 30% of its ordinary revenue and has pledged investment of additional francs in the country's modernization. The mining of phosphate (mainly a State operation, as in Morocco) and iron ore could probably be expanded greatly if capital were available. The ceonomy is predominantly agricultural, although Tunisia is one of the more advanced lands of the Arab world. Like Morocco and Algeria, it has been, for the most part, by-passed by American capital, although getting, through France, a chunk of American largesse.

Libya — This former Italian colony, liberated in World War II, became an independent state under U.N. auspices in 1952. It has a population of less than 1.5 million, although its 680,000 square miles could easily absorb a far larger populace if it were blessed with modern agricultural methods and a mineral development program. This kingdom, meanwhile, languishes among the poorest and most backward regions of the world.

Libya's strategic position has caused her to come under the domination, successively of Carthage, Rome, the Vandals, the Ottoman Empire and modern Italy. A decade ago, the Bolsheviki made it clear in the preliminary peace talks that they wanted port rights in Libya. The Libyan-American Reconstruction Commission has been established to manage the economic aid made available from U. S. sources. Allocations have been made by the agency for projects essential to Libya's economic progress. Estimated annual income per capita is $35. U. S. technicians have been engaged in such fields as irrigation and water development, provision of water supplies, and health facilities. This year, an infestation of locusts damaged an already subnormal crop. The U. S. provided experts in locust control, furnished insecticides and planes for spraying. In response to Libya's request for aid in this crucial period, the U. S., as it has done in the past, approved a grant of wheat to be distributed free in that country.

Egypt—With the help of the

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In the next issue:

Have Textile Stocks Turned the Corner?

Crisis in the Middle East

(*Continued from page* 343)

U. S., Egypt has wrung from Britain an agreement to depart the Suez Canal base. Thus, the last vestige in that land of British power, which made the country a protectorate in 1941 to defend the country against the Ottoman Turk, is fading. In 1952, the monarchy was overthrown by army officers who have imposed their own brand of dictatorship on the country, which has no democratic traditions. The military, smarting under the defeat administered to Egyptian forces which invaded Israel in 1948, long has clamored for "a second round."

Unable to obtain from the West the arms needed for such an adventure, they turned this year to the Soviet bloc, which now is supplying them with the weapons to wage war by land, sea and air. The standard of life in Egypt, aside fro mthe small landed aristocracy and merchant class, is pitifully low. It is difficult to see how the Government can hope to carry out the Aswan High Dam project on the Nile and the comprehensive economic development program, covering an initial 10-year period. while assuming an intolerable arms burden and planning to reopen the war on Israel. The Egyptian military junta, of course, denies that it plans a second round, but the fact remains that Egypt turned U. S. arms because it would have pledged Cairo not to use them for aggression.

U. S. development assistance, totaling $40 million. was made available under the mutual security program this year to help Egypt move ahead with its development effort. In addition, nearly $3 million was allotted for technical cooperation activities. Egypt will need more than a billion to complete the Aswan High Dam and would like to get financial backing from the U. S. or the World Bank. Not too subtly, the Egyptians have been saying the Soviet is prepared to build the dam, while insisting they would prefer our sponsorship. The dam, of course, is vital to the country, whose 22 million people are bound to benefit immensely from such an undertaking. The Soviet, which is said to have offered $600 million of credits over a 30-year period, doubtless is confident it would not take anything like so long to get Cairo in its hip pocket.

Israel — Marked progress has been made in Israel's management of her financial problems, but the arms race launched this Fall under the auspices of the Soviet constitutes a first-class setback to that country's effort to raise living standards. She has been forced to scrounge for arms in Europe and hopes to get more from the U. S., which has the power either to restore the balance with Egypt or see Israel crushed. U. S. assistance, totaling hundreds of millions of dollars in loans and grants, under the present mutual security program is placing greater emphasis on industrial development projects designed to make maximum use of local raw materials The Israelis this year struck oil, which is being processed at the British-owned refineries at Haifa, and would be well on their way to a self-supporting economy but for the arms race cooked up by Moscow.

Jordan—The Hashemite Kingdom of Jordan, bordering Israel on the west, is four times the size of the Jewish State. It was carved out of Palestine by the mandatory power, Britain, which continues to subsidize the Jordan army. It contains some of the most sacred places of the three great religious faiths. Without a peace settlement, her problems are insoluble. The U. S. has provided material and economic aid on a moderate scale.

Iraq—With its valuable Mosul oilfields (British-owned), water resources and agriculture, Iraq is the most prosperous country in the Middle East. Main source of the boomlet has been the vast increase in oil revenues since her neighbor, Iran, nationalized the British-owned oilfields in that country. The British, who can read the handwriting on the wall better than the myopic French, rewrote its agreement with Iraq into a 50-50 deal. With the shutdown Iranian production, output and revenue climbed at Mosul.

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BOOK REVIEWS

That's Me All Over!

By CORNELIA OTIS SKINNER

Author of Excuse It Please!, Dithers and Jitters, Soap Behind the Ears, Nuts in May, etc.

This is, at last, the long-awaited "Complete Skinner," the whole works in one new, smart volume, as indispensable to modern living as a bunch of flowers, a gay picture on the wall or a new spring hat.

If you've ever had a baby, if you've tried to keep warm in a duck blind, taken Russian lessons or struggled around a skating rink, you'll laugh at and with Cornelia Otis Skinner. Her humor has that rare quality which shows it depth and genuineness in her ability to laugh at herself. It takes on a true universality in its sympathy with other poor mortals in the same unsettling situations.

Dished up here is an utterly delightful mixed grill, a Skinner anthology containing TINY GARMENTS and all the favorite absurdities from DITHERS AND JITTERS, SOAP BEHIND THE EARS and EXCUSE IT PLEASE! The parodies, indignations, enthusiasms (with liberal doses of nonsense) are as gay and mildly mad as ever.

Alajálov's drawings, pertinent and impertinent, are a perfect complement to the text.

The Good Shepherd

By C. S. FORESTER

"C. S. Forester is the First Admiral of all the seven seas of fiction," wrote John P. Marquand after reading THE GOOD SHEPHERD. "Commander George Krause, U.S.N., skipper of the American destroyer *Keeling*, is a long jump from Mr. Forester's best-known hero, Captain Horatio Hornblower, who fought for Old England in the age of iron men and wooden ships. But Commander Krause for my book is exactly as good as Hornblower ever was."

The mission of the commander was to lead the protecting screen of four escort vessels convoying thirty-seven Allied merchantmen across the icy Atlantic from America to England. It was in the most critical days of World War II, when the German submarines had the upper hand and Allied shipping was suffering heavy losses.

The tense, concentrated action begins when Commander Krause is called to the bridge just after he has taken a much-deserved shower. The wolf pack is forming and he has not time even to put on warm outer garments. For the next forty-eight hours he remains on the bridge of his ship.

Mr. Forester has created a memorable character in the Bible-quoting Commander Krause, graduate of Annapolis and a pre-eminent U. S. Navy man. The reader is inescapably swept into his ordeal on the bridge and shares every sleepless hour with him as he battles against almost overwhelming odds to fill his role as the good shepherd.

Two New Opportunities To Buy Now

Using part of the cash reserves we advised all subscribers to hold prior to the market reaction . . . we are now recommending purchase of 2 highly promising issues. By acting now, you, too, can share in the income and profits from these investment bargains.

A DYNAMIC GROWTH STOCK
10% Under its 1955 High

An industrial giant of the future in a powerful phase of expansion today. A leader in research, it is growing through profitable new products, successful acquisitions and plant additions. Outstanding managerial ability has given it a diversified stake in such prospering fields as basic and miracle chemicals, petrochemicals, staple and wonder drugs, rocket engines, aluminum, paper, jet planes. Earnings are rising strongly with the first three quarters of 1955 showing a 20% increase, so the 3.5% yield is widely covered and could be increased. Finances are sound with current assets 4.1 times current liabilities. AN EXCEPTIONAL OPPORTUNITY FOR CAPITAL BUILDING.

AN INVESTMENT BARGAIN
Yielding 5.6%

Above-average dividends are broadly covered by steadily rising 1953-54-55 earnings (up 23% in the first 9 months of 1955). A top company in its field—management is capable and experienced—and the balance sheet is impressive with current assets 4.6 times current liabilities. A true investment bargain, this issue is selling 21 points below its 1946 high—despite the fact that 1955 dividends are \$1.40 more and earnings are running 20% above those of 1946. A retarding outside influence is wearing off and this fine stock is materially underpriced in relation to its quality, 5.6% return and sound enhancement prospects for the year ahead.

Further Opportunities To Emerge

In our coming Forecast bulletins we will give the buying signal when promising stocks are truly undervalued in light of bright 1956 prospects. And . . . over the months ahead as further exceptional opportunities emerge at bargain prices—we will round out our invested position in our 3 *supervised* investment programs, including

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Crisis in the Middle East

(*Continued from page* 344)

Production now is running about 30 million tons yearly, providing the Government in 1955 with about \$204 million revenue, or about 65% of its income.

Through the Resources Development Board, Iraq has been using these funds carefully and effectively. The board, in addition to the Iraqi members, has full-time voting American and British members, and its work is backed up by the U. S. Technical Assistance program. Under the program, \$2.3 million is being spent this year on surveys, education, providing of technicians and advice on programming and development. There is no aid in the program—only technical help.

With two mighty rivers—the Tigris and the Euphrates—Iraq is better off for water than any other Middle East country. She could easily support double the present 5 million population and could provide a refuge for the displaced Palestine Arabs. —END.

Answers to Inquiries

(*Continued from page* 334)

Sinclair Oil Corporation

"Has Sinclair Oil's status improved in recent years? What have been recent earnings, and would also like to receive other pertinent data in regard to the company."

B. S., Scranton, Pa.

Sinclair Oil Co. is one of the larger integrated operators, but crude output is only about one-third of refinery production. Despite the expense of correcting this imbalance and of modernizing refineries, earnings have been gradually rising in recent years except in 1953 when a sharp increase in taxes cut net to \$5.53 per share. A wider range of refined products resulted in higher earnings in 1954. The company has improved its status in recent years.

Consolidated net income of Sinclair Oil Corp. and subsidiaries for the first three quarters of 1955 was \$56,137,940, an increase of \$3,241,556, or 6%, over the \$52,896,384 reported for the comparable 1954 period.

Because the average number of shares outstanding increased substantially over the past 12 months, the higher net income for the 1955 nine months was equivalent to \$4.24 a share on the average of 13,214,227 shares outstanding, against \$4.29 a share on an average of 12,315,348 outstanding shares during the first nine months of 1954.

Conversion of the company's debentures — about \$50 million, principal amount of the January, 1953 issue of \$101,758,900—and the issuance earlier this year of 243,785 shares of Sinclair common stock in exchange for 390,057 shares of Venezuelan Petroleum Co. stock were principally responsible for the increase in outstanding shares. The conversions, together with Sinclair's accelerated program of debt retirement, have reduced long-term debt from \$350 million in January, 1953 to \$257 million on September 30, 1955. This improved to a current figure of 24% the ratio of long-term debt to total borrowed and invested capital. An increase in the company's dividend rate was accomplished on October 19, 1955 with the declaration of a 75¢ quarterly dividend effective with the fourth quarter.

Gross income for the nine months set a new company high of \$799,719,770 and compared with \$741,538,843 in the like 1954 period. Sales volume increased 6.5% to a new 9-months record, and exclusive of foreign wholesale sales, such increase amounted to 8%. Sinclair's share of the service station gasoline market, which has grown steadily for the past 6 years, continued to increase in response to an aggressive marketing program.

To supply rising sales needs, Sinclair refinery throughput was increased, averaging 418,149 barrels daily during the 1955 nine-month period, a rise of 5.6% over the 395,944 barrels processed in the like 1954 period.

Domestic production of crude oil and natural gas liquids was increased 4.6% over last year, averaging 134,522 barrels daily for the current three-quarters, as against 128,569 barrels daily in the 1954 first nine months. Crude oil and natural gas production of the Venezuelan Petroleum Co., 96%-owned subsidiary operating in Venezuela, averaged 19,555 barrels daily, up 26% from the 15,459 barrels daily average of the 1954 first nine months period. Prospects over coming months continue favorable. —END

BOOK REVIEW

A Wife Is Many Women

by

DORIS FLEISCHMAN BERNAYS

If you are a woman, the book you hold in your hand may provide you with a profoundly startling experience . . . for as you read it, you will find yourself believing that here are your own inmost thoughts, tape recorded and set on the printed page.

And in a manner of speaking, you will be right in thinking this, for Doris Fleischman Bernays has written in this book a story at once so profoundly personal, so frankly true, that it does speak intimately for the host of women who, like herself, find womanhood a rewarding, challenging, sometimes totally bewildering state of grace.

Doris Fleischman Bernays is a successful woman, in the full meaning of that sometimes ambiguous phrase—partner of her husband, Edward L. Bernays, U. S. Publicist No. 1. Yet she knows that a great portion of her time and energy has been spent in trying to fill a variety of household jobs she has been called upon to perform, and for which, she says, she had no training.

"We turn a screw, pleat a cloth, throw a switch, lick a spoon, diagnose a tantrum, shove a vacuum cleaner, ponder the bio-chemistry of rust, fumble a thread, change a fuse, give a tithe, study a blueprint, de-leak a faucet . . . We come to each one of these jobs as an amateur. So far as practical training goes, I was the world's first mother, the world's first wife, the world's first housekeeper . . ."

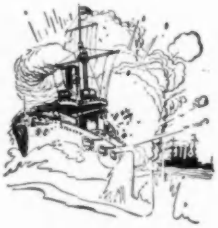
In this book Mrs. Bernays through a number of witty and perceptive chapters, spells out a Bill of Rights for woman-kind that will strike an answering chord in any woman's heart.

Doris Fleischman Bernays is a native New Yorker whose family was established in that city, and in Albany, New York, over a hundred years ago. She was schooled in the Training Department of Normal College, now Hunter College, at Horace Mann High School, and was graduated from Barnard College. She has written almost constantly since she learned to form her letters. She has contributed to several books, edited "An Outline of Careers for Women," and has been published in many magazines on a variety of subjects. Among a great variety of interests and activities, professional, eleemosynary and personal, she finds people themselves most beguiling and engrossing. Nevertheless she insists that she is an "average woman" whose housewifely problems are common to all average women.

She has written this book to spotlight the hidden thoughts of women at work.

Crown $3.00

"Those poor devils are dying"



MUSTACHIOED, bulky and calm, Jack Philip stood on the bridge of the U.S.S. *Texas*, watching his gunners pour fire into the Spanish men-of-war fleeing Santiago harbor.

Only a few days before, another American ship had accidentally fired at the *Texas*. Philip had responded by signalling: "Thanks, good line, but a little over."

Now enemy shells were whistling over his head from desperate vessels doomed to destruction. As the *Texas* raced past the flaming, riddled *Vizcaya*, that Spanish battleship exploded.

Instantly, a great victorious shout sprang up on the *Texas*. But Captain Philip quickly silenced it:

"Don't cheer, men; those poor devils are dying."

A bold captain who ran a happy ship, Jack Philip was already something of a friendly hero to his men. But this one sentence, more than all his bravery, made him a hero of the Spanish-American War to millions of Americans.

For Americans prize gallantry. Gallantry is part of the great heritage — part of the strength — of the American people. And today, it is this strength — the strength of 165 million Americans — which forms the real guarantee behind one of the world's finest investments: United States Series E Savings Bonds.

That's why it's such a good idea for any American to buy Savings Bonds regularly and hold on to them. Start today!

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